

Guidelines for Grant Budgeting

Operational Guidance for Grant Budgeting

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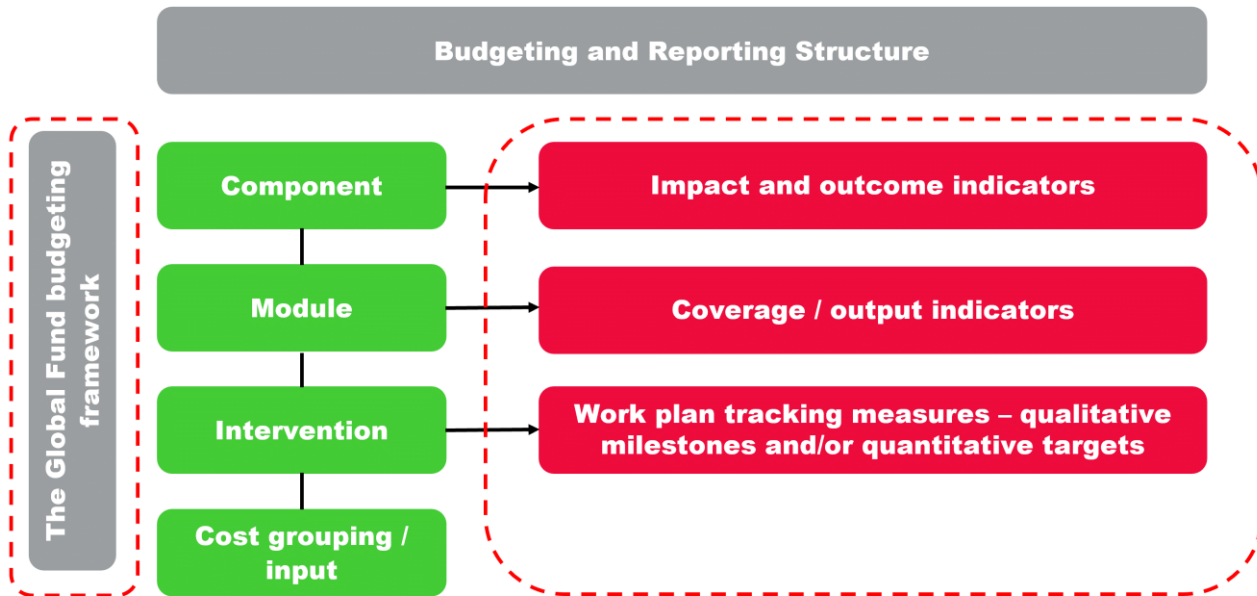
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1. Costing Guidance

1. This section provides detailed costing guidelines at the cost grouping and cost inputs level. The diagram below illustrates the Global Fund modular approach and costing dimension, and its alignment to the Global Fund Strategy to invest for impact and demonstrate Value for Money (VfM) (refer to Appendix 8 for practical considerations to enhance VfM of grant budgets).



2. The modular framework and costing dimension provide a clear structure using standardized categories of module and interventions and cost grouping and cost inputs, that enable linking programmatic and financial data in the Performance Frameworks and budgets:

- **Modular Framework:** refers to the standardized modules (broad program areas) that are further divided into a comprehensive set of interventions and illustrative list of activities outlining the scope of each intervention. In addition to the list of modules, interventions and activities, the framework provides associated impact, outcome and coverage indicators.
- **Costing dimension:** refers to the standardized cost inputs and cost grouping using standard budget classifications. Please refer to [costing dimension and investment landscape table](#) for further details.

3. The Global Fund’s standardized Detailed Budget (DB) Template, a semi-automated excel based template, must be used for budgeting in Global Fund grants. The template is provided by the Global Fund to the applicant and Principal Recipients (PRs). Please refer to [Instructions for Completing the Detailed Budget Template](#) for further details.

1.1 Human resources

4. Human Resource (HR) costs include remuneration costs for employment¹ services rendered including salaries, wages and other direct costs of employment, and relevant taxes. Remuneration costs for staff must be budgeted at the most cost-efficient level to achieve the objectives of the Program. The guidelines outlined in this sub-section are applicable to the following HR cost inputs:

Human Resources	
Cost Input	Description
1.1: Salaries – Program management	Salaries of staff responsible for directly supporting the management ² or implementation of the Global Fund program and/or grant at national level, sub-national level and headquarter level. Eligible allowances (refer to paragraph 4 below) that are paid outside of the basic salary can be included as part of salaries if they are included in the standard remuneration package for long-term employment contracts as evidenced by national regulations, practices, and/or organizational HR policies.
1.6: Salaries – community-based, incl. Community Health Workers and outreach workers	HR cost of staff working at community level under an employment contract and fixed salaries. Eligible allowances (refer to paragraph 4 below) that are paid outside of the basic salary can be included as part of salaries if they are included in the standard remuneration package for long-term employment contracts as evidenced by national regulations, practices, and/or organizational HR policies.
1.7: Salaries – facility-based, including medical staff and other service providers	HR cost of staff working at facility (service delivery) level with employment contract and fixed salaries. Eligible allowances (refer to paragraph 4 below) that are paid outside of the basic salary can be included as part of salaries if they are included in the standard remuneration package for long-term employment contracts as evidenced by national regulations, practices, and/or organizational HR policies.
1.4: Other HR Costs	Other HR costs may include any HR related costs which are not covered by specific cost inputs under the HR category including but not limited to the recruitment cost of staff, relocation cost and security costs in the case of natural disasters, armed conflict, or terrorist acts.
1.5 Severance costs	The Global Fund may authorize the inclusion of accrued severance entitlements in the budget. A severance entitlement refers to a payment made to employees in case of an unanticipated termination of employment (e.g., when the employee’s contract is terminated because of a breach). For Global Fund purposes, the severance package includes any additional payment, based on the years or months of services as required by local law.

5. The following are key requirements and guidance for budgeting Human Resources related cost in the Global Fund grants:

¹ This may include individuals engaged to perform staff-related and recurring tasks under a long-term service contract.

² Program management services mainly include implementation and oversight of the program/grant; accounting and reporting; treasury management; internal audit; human resources administration; procurement services and IT services

Human Resources (HR)

Key requirements

- Allowances that can be funded through Global Fund grants fall under the following categories (a detailed breakdown of such allowances should be provided in the detailed budget assumptions):
 - **Employer’s social security contributions:** minimum and legislated amounts may be budgeted as required under local labor law.
 - **Health insurance:** may also be budgeted if required under local labor law or if it is a common local market practice for similar organizations.
 - **Housing allowances:** may only be budgeted if part of an employee’s standard remuneration package and a common local market practice.
 - **13th month salary:** may only be budgeted if part of an employee’s standard remuneration package and a common local market practice.
 - **Pension, gratuity or provident fund:** minimum contributions as required by law or in accordance with the organization’s policies may be budgeted in compliance with local labor law and aligned a common local market practice or the organization’s policies. The pension, gratuity or provident fund is typically managed as a separate fund or entity into which the employer and/or employee make periodic contributions. The payments are made when an employee retires or resigns from employment.
 - **End of contract payment:** Implementers (including government implementers) must rely on their own resources and adopt defined duration contracts for Global Fund specific staff (e.g., PMU or NGO/CSO implementers). Accordingly, “end of contract payments” may only be budgeted if required under local labor law (and not just based on local market practice). In any event, the use of grant funds for end of contract payments remains exceptional, subject to the review and subsequent approval of the [Global Fund](#) as to whether it is appropriate for grant funds to be used for this purpose (such as consideration of whether other sources of funding are available).
 - **Other fringe payments:**³ minimum amounts may be budgeted as required under local labor laws or local market practice.
- There must be no funding duplication with other Global Fund grants or funds from other sources (including those funded by the relevant Principal Recipient/Sub-recipient). The Global Fund can finance remuneration costs directly related to the implementation of a Program. The Global Fund will not replace or duplicate existing funding arrangements. For positions that are working partially on a Global Fund grant, the costs of such positions should be apportioned based on the level of effort required. The budget must include a detailed breakdown of positions and costs (including apportioned cost) to the satisfaction of the Global Fund, using the standard HR assumption tab in the Detailed Budget Template.
- **Severance** is paid only when an employee’s contract is terminated where the termination is unanticipated and results from an actual or potential breach of an employment contract. Specific, written approval from the [Global Fund](#) is required for any termination payment using Grant Funds. The following are the key requirements that should be considered for budgeting severance payments:
 - Implementers must provide a projection of the maximum amount of the severance entitlement payable to staff based on the applicable HR policies, procedures and/or national laws. The Global Fund’s fair share of the overall entitlement as determined by the Global Fund, should be justified, calculated, and appropriately budgeted.

³ This may include expatriate benefits for international nongovernmental organization or other multilateral organizations.

- Employees whose contracts are terminated and who are not continuing to work with the implementer in any capacity (where applicable) may be entitled to receive full severance pay⁴ as required by local laws. Funds from the current Global Fund grant should be used to fund such payments (i.e., any new Global Fund grants should not be used to fund severance payments).⁵
- If the implementer has been authorized to accrue severance under a Global Fund grant ceases to implement a Global Fund grant, the implementer may be authorized by the [Global Fund](#) in writing, to make necessary payments to ensure that all relevant legal obligations are met.
- Any employees who will continue under the new grant will not be entitled to severance at the end of the current grant, and no such payments on account of severance should be made to those employees. Implementers should provide in the budget for the new grant/IP an amount for potential severance payments (based on best estimates) which might be paid out during the IP and monitor the actual amount of severance expenditures and report this to the Global Fund, reallocating any savings.
- Implementers are solely responsible for complying with applicable labor and other laws (including occupational health and safety, minimum wages, separation payments, social security and health insurance, and income taxes). The CCM must ensure that proposed remuneration levels are consistent with those in the country. Any deviation from these levels should be justified to the satisfaction of the Global Fund.
- The Global Fund will review and approve remuneration levels during the grant-making process. The Global Fund should be provided with the relevant salary framework (or other relevant benchmarking information) and any additional information (to support remuneration levels) requested by the Global Fund justifying all HR costs to the satisfaction of the Global Fund. Any change in the approved remuneration level during grant implementation must be approved by the [Global Fund](#).
- Levels of remuneration should be based on relevant national remuneration levels, as provided in national or interagency salary frameworks or the organizational Human Resource policy.⁶ Remuneration levels in general should be consistent with local market practice for similar jobs in similar organizations. Remuneration costs paid through the same implementer must be harmonized across Global Fund grants. Any exception to this principle must be fully justified and approved by the [Global Fund](#) in writing.
- Except for expatriate staff members who may be paid in other currencies, employment contracts, salaries and allowances must be budgeted, contracted, and paid in the local currency, subject to local laws and regulations. In exceptional circumstances, if a different currency is proposed, the rationale from an independently determined and verifiable source should be disclosed to the Global Fund and use of different currency must be approved by the [Global Fund](#) in writing.
- In cases where existing staff are seconded to a Program Management Unit of the Principal Recipient, it is not appropriate to significantly increase salaries in line with market conditions without competitively offering the position to external candidates to ensure that the increased costs attract the best possible candidates.

When a government has pledged to devise a sustainable remuneration program as part of a broader civil/public service reform to enhance motivation/retention schemes, the Global Fund, in coordination with other donors, may participate in financing such broader schemes under the

⁴ Severance pays may include any additional payment based on the months of services, payment for unused leave balance, a payment in lieu of a required notice period etc.

⁵ The payment must occur within six months of the end of the grant.

⁶ Implementer should have in place Human Resources policies and procedures based on the best practice, applicable laws and regulations and specific donor requirements (if any) and approved by the competent authority. For further details please refer to the section 4.5 of the Global Fund [Handbook for Grant Implementers](#).

Resilient and Sustainable Systems for Health interventions. This scheme must be designed and supported by the government and in-country partners to enhance the overall efficiency and effectiveness of service delivery interventions for Global Fund grants. Such investment cases should be presented as part of the funding request and recommended by the Technical Review Panel.

Cost not covered under this cost category

- The payment of salary bonuses using Grant Funds are “non-compliant expenditures”.
- Any increase in salary or incentives above those already planned in the budget to staff/agents working for Global Fund Program must be approved in writing by the [Global Fund](#) regardless of the percentage of increase. If Global Fund approval is not provided, then, these increases are “non-compliant expenditures”.
- Salary payments must be in accordance with the relevant employment contracts. Such payments should also be in accordance with the costs detailed in the approved grant budget and in compliance with any deductions provided under applicable laws. Payments that are not made in compliance with contracts and applicable laws, are “non-compliant expenditures”.
- Payment of allowances that are not required by or not in accordance with applicable laws and/or organizational policies. Severance payments that are not required by or not in accordance with applicable laws and/or the organizational policies are “non-compliant expenditures”.
- Implementers and CCMs are prohibited from soliciting payments from staff or requiring staff to contribute to any funds not explicitly required under applicable labor laws. Any contribution from staff to support the organization’s operational expenditures (including, but not limited to, organizational funds, sustainability funds, subsidy funds, or operational funds) is prohibited and are “non-compliant expenditures”.

Key documents required:

- HR policies and procedures based on best practice, applicable laws and regulations and specific donor requirements (if any), and approved by the applicable authority, that must:
 - Clearly describe the recruitment process (including the indication of various steps and the staff members responsible for reviewing and approving each step) to ensure the transparency and accountability of that process.
 - Clearly defined policy for benefits and compensation (PayScale) in line with the local comparable wages/salaries within the sector of work and/or functional area.
 - Clearly defined roles, responsibilities, and reporting lines for each recruitment step, bearing in mind the need for effective internal controls and the segregation of duties; and
 - Formal Code of Conduct based on best practice and applicable laws and regulations.
- Description of the typical types of positions required for the Global Fund-funded Program and the local labor market conditions for such positions.
- Description of costs covered by the government (for public sector entities) such as basic salary and benefits of existing staff.
- Salary framework to benchmark salaries against relevant positions in country, for example, national salary frameworks, harmonized donor salary framework.
- Description of the future sustainability of funding for HR costs beyond the end of the Global Fund grant's Implementation Period.

1.2 Travel-related costs

6. Travel related costs (TRC) include direct cost of travel and related expenses incurred by the implementers, for their employees to remain away from home for work purposes related to implementation and oversight of a Global Fund grant. This sub-section covers the guidelines for the following TRC inputs:

Travel-related costs	
Cost Input	Description
2.1 Training related per diems/transport/other costs	Training activities covered by the grant that demonstrably enhance the capacity and skills of participants in the delivery of relevant services to attain Program targets and objectives. Training costs include all costs ⁷ associated with training events, workshops, training materials, training-related travel, and per diems paid to training participants/facilitators.
2.2 Technical assistance-related per diems/transport/other costs	Cover reasonable travel and per diem costs for external suppliers (technical assistance) in line with the implementers' organizational travel policy, the cost proposal of the suppliers and the contract signed between the implementer and the suppliers. Consulting fees in relation to technical assistance must be charged to the cost input "3.1 Technical assistance fees/consultancy fees".
2.3 Supervision related per diems/transport/other costs	Travel and per diems specifically paid for supportive supervision follow up to improve the quality of program performance including from national to sub-national level, or within sub-national levels. Monitoring, reporting, data validation and evaluation activities should be charged to the cost input "2.6 Surveys/data collection related per diems/transport/other costs".
2.4 Meeting/Advocacy related per diems/transport/other costs	Travel and per diems specifically paid for meeting and advocacy events. Meetings refer to a formal gathering for a particular purpose that contributed directly or indirectly to Program objectives, whereas advocacy events refer to a formal gathering to discuss, explain and obtain ownership of stakeholders on specific Program areas or objectives.
2.5 Other Transportation costs	This is residual cost input that can only be used for travel related cost that does not fall under any specific cost inputs under this cost category.
2.6 Surveys/data collection related per diems/transport/other costs	Travel and per diems specifically paid for monitoring, reporting, data collection and/or validation activities intended to ensure that there is strong programmatic data to provide evidence of achievement of Program targets and ultimately Program goals and objectives. Also includes all reasonable costs to support the budget for periodically conducted surveys, surveillance, and other special studies. Implementers should provide a justification satisfactory to the Global Fund for the need for such survey and studies, as well as expected results in the Monitoring and Evaluation plan (Appendix 4) .

7. The following are key requirements and guidelines for budgeting travel-related costs in the Global Fund grants:

⁷ Including venue rentals, coffee breaks, etc.

Travel-related Costs (TRC)

Key requirements

- For efficient and effective budgeting, implementers are encouraged to use standard costing for TRC based on the location, nature of activities and related assumptions.
- Travel-related costs should be based on the implementer's existing policies as applicable and be harmonized across Global Fund grants managed by the same implementer and, if possible, with other donors. The implementer must also establish the following matters, to the Global Fund's satisfaction:
 - TRC policies for Global Fund grants must be fully aligned with the applicable government, other donor practices and local market practices for the administration of such payments.
 - New policies on TRC that are created especially for Global Fund grants and that are different from the implementer's or country's standard policies are not acceptable; and
 - TRC must reflect the real cost incurred by the employee and should not contain any element of additional remuneration.
- TRC should be budgeted at the most cost-efficient level to achieve the objectives of the Global Fund-supported Program. The implementer must also establish to the Global Fund's satisfaction that:
 - Transport to the venue is routed by the most economical and practical mode of public transport.⁸
 - Air travel should be kept to a minimum but, if required, must be restricted to economy class only. The use of discounts and web-based airfare is encouraged; and
 - Where private vehicles are used, fuel costs are reimbursed based on agreed mileage rates set by the government or based on rates established by the implementer that are consistent (as determined by the Global Fund), with the price of fuel and average fuel consumed based on the distance of the journey.
- A per diem or daily subsistence allowance ("DSA") is a common method of recompensing staff and participants for each night spent at the location of the event, rather than paying for the exact expenses incurred. Typically, such DSA policy would consist of the following elements:
 - Per diem payments should only be paid for the days that a person attended the relevant workshop or meeting and one night either before or after the event if the participant is expected to arrive either a day before or depart the day after an event. Records must be available to validate the participant's attendance at the workshop or meeting. It is not acceptable to attend an event partially and claim a per diem for all days of the event.
 - Per diem rates and procedures should be benchmarked to be consistent with government regulations for applicable government or state-funded/established entities. Local Non-Governmental Organization (LNGO) rates should be benchmarked against government rates. International Non-Government Organization (INGO) and United Nations agencies should apply government rates when implementing Global Fund grants, however, these organizations may apply their own per diem rates for their staff. The CCM must review planned travel and subsistence rates when submitting a funding request.
 - If meals or accommodation are provided, the amount of the per diem should be reduced accordingly.

⁸ Hired vehicles should only be used in exceptional circumstances in accordance with the principle of carpooling (i.e., Not one person per car).

- It is not acceptable to claim a per diem paid under a Global Fund grant, if the per diem is also covered by another source of funding, including fully hosted events.
- Stand-alone in-service training has limited effectiveness and applicants are encouraged to consider and budget for complementary interventions in addition to in-service training, such as integrated supportive supervision and group problem solving. The **training budget** should demonstrate alignment with good practice for effective training outlined in the [RSSH Information Note](#) (page 32), and [VfM brief](#), and be built on the training requirements outlined in the funding request and/or other training needs assessment developed for the Program. In cases where the proposed training needs are unclear from the funding request and/or where the Global Fund Country Team deems the budget allocated to training is significant,⁹ the Global Fund may request the Principal Recipient to undertake a training needs assessment or an efficiency assessment to identify integration and VfM opportunities.
- Prior to the validation of training activities in the work plan and budget, the Principal Recipient should provide an evidence-based analysis that justifies the need for each training activity as part of a comprehensive intervention to improve quality and performance and addresses the difference between current and targeted skill levels required for the achievement of Program targets and objectives.
- Implementers should develop clear budgetary assumptions using a standard assumption tab in the detailed budget template for each training activity, which provides a clear trail of the cost build-up to arrive at the total cost of training and demonstrate linkages to Program needs:
 - A standard costing approach to trainings may be used for budgeting. Typically, an average cost per training or per person per day is calculated and applied to similar training events.
 - Implementers should determine the number of days required for the training; the total number of participants (residents and non-residents); and the type of training (national, regional, district/community or international level).
- When budgeting for training under Global Fund grants, implementers must apply the following principles:
 - Provision for the transportation cost of participants should be made in accordance with the implementer's and/or applicable government policies. This could be indicated as a fixed rate or determined by the distance from the participants' residence/office to the place of the training. If the distance is selected to be the mode of calculation, this mode must be described in a relevant policy document, including determination of an upper limit payable to any participants and/or benchmarked with the cost of public transportation in the relevant country.
 - When the implementer plans to include accommodation/meals and/or group transportation as part of the training package, the budget should reflect these costs rather than the per diem and transportation costs payable to participants. If breakfast and dinner are not included in the package, the Implementer can pay participants the applicable portion of per diem to cover these costs.
 - Provision should be made for any training kits to be provided to the participants and coffee breaks planned during the training.
 - Training costs should reflect the real cost to be incurred by the implementer in the implementation of the training activities and should not contain any additional remuneration or salary supplements or exceed per diem rates (where applicable) for participants or facilitators; and

⁹ The Global Fund Country Team determines whether a training budget is "significant" based on the country context and/or risk concerns.

- [Training plans \(Appendix 3\)](#) can be requested by the Global Fund during grant-making.
- In case the implementation of any **survey** is outsourced, the suppliers should be selected through a competitive process (see Article 5 of the [Grant Regulations](#) as applicable). Implementers are responsible for, among other things:
 - Ensuring that surveys needed to track impact/outcome and programmatic results achieved against targets set in the Performance Framework are appropriately undertaken during grant implementation.
 - Demonstrating that the budgeted surveys do not overlap, or duplicate other surveys already planned under or outside the grant.
 - Seeking co-funding of surveys.
- **Supportive supervision** is a key activity to complement in-service training and improve program quality, while, **monitoring and evaluation** activities provide strong programmatic data for evidence of the achievement of Program targets and ultimately Program goals and objectives, as well as for continuous program improvement. Grant Funds may be used to finance supportive supervision as well as monitoring and evaluation costs.
- The implementers are responsible for ensuring the functioning of the routine programmatic data collection and reporting system to track programmatic results achieved against targets set out in the Performance Framework and/or National Strategic Plans and Monitoring and Evaluation plans.
- To support the budget for evaluations, surveys, surveillance, and other special studies which are conducted periodically, implementers should promptly provide the justification for the need of such evaluation, survey, and studies, as well as the expected results. To enhance Program and grant management oversight, implementers may budget for oversight supervisions. Implementers should ensure that such costs are accurately linked to the appropriate module for program management.
- The overall Program supervision budget should be supported by a supervision strategy described in the annual implementation workplan (for further detail on annual implementation workplan,¹⁰ please refer to [OPN: Grant-making](#) or other separate document. This strategy should include, at minimum, a description of the nature and scope of each supervision; planned frequency for such supervision; role and function of each participant in the supervision and expected outcome of the supervision.
- Implementers should develop clear budgetary assumptions using a standard assumption tab in the detailed budget template for supervisory visits, which provides a clear trail of the cost build-up to arrive at the total cost of supervisory visits and demonstrate linkages to the Program needs. A standard costing approach to supervisory visits may be used for budgeting. Typically, an average cost per supervisory visit or per person is calculated and then applied to similar supervisory visits.
- Supervision results and follow-up actions should be documented through mission reports, highlighting preparatory work done, issues encountered and actions taken. Specific steps should be taken to avoid duplicating existing systems and ensure that the supervisions performed are optimized and combined, including with the national program and/or other donor activities, whenever possible to save travel costs. In cases where several implementers are implementing Global Fund grants in the country, a coordination mechanism should be put in place to optimize supervision activities.
- Data is required for program planning, program management and assessing progress. Data collection systems and data sources are needed to ensure data is available for routine monitoring and assessing impact of disease control efforts. In addition to investments in

¹⁰ The annual implementation workplan is only required for High Impact and Core portfolios and best practice for Focused portfolios.

data sources and collection methods, countries should focus on the capacity to disaggregate, analyze and use data for program quality improvement and impact.

- To ensure the best use of limited resources, countries need to identify a set of prioritized areas and activities to be supported by the Global Fund at national and sub-national levels including community data systems. To help identify a set of prioritized Monitoring and Evaluation areas and activities to be supported by the Global Fund grants, please refer to the guidance on essential data system investments included in the Global Fund [Strategic Framework for Data Use for Action and Improvement](#). It highlights areas that require special attention should be budgeted for in the Global Fund grants **if not already supported by other resources**.
- This guidance does not prevent countries from investing in other data elements essential to a particular country context and where gaps exist. For a full range of Monitoring and Evaluation interventions and illustrative activities refer to the [Modular Framework Handbook](#).
- Monitoring and Evaluation costs included in the detailed budget/workplan should be consistent with activities planned in the Monitoring and Evaluation Plan (national or grant specific, as applicable) including the strengthening measures to improve the Monitoring and Evaluation system identified through Monitoring and Evaluation system or Data Quality assessments.
- All Monitoring and Evaluation activities, disease specific and/or crosscutting should be included under the module “Health management information systems and Monitoring and Evaluation”. All Monitoring and Evaluation activities and investments should be classified under one of the six standard interventions: Routine reporting; Program and data quality; Analysis, review, and transparency; Surveys and surveillance; Administrative and financial data sources; and Civil registration and vital statistics system.

Cost not covered under this cost category

- Facilitators who are employees of the implementer and whose salaries are paid using Grant Funds are not eligible to receive any facilitator fees (fee for coordinating and facilitating an event or providing training etc.). Facilitators should not receive the applicable per diem unless they are away from home.
- “Resident” participants must not receive a per diem when attending training in their place of residence (e.g., participants living in Dakar must not be paid a per diem when attending a training in Dakar). Payment for meal costs could be made as per the implementer’s policies and/or government policies if meals are not provided as part of the training package.
- “Non-resident” participants should receive full per diem when attending training financed from Grant Funds. Where meals or accommodation are provided, the amount of the per diem should be reduced according to the implementer’s and/or government policies or other prevailing rates applicable for meals.
- Per diems not as per the approved cost norms, including without limitation:
 - Budgeting per diems for higher level grades when actual travel will be undertaken by lower-level staff; and
 - Per diems overlap with activities or cost already planned and funded by the national government or other funders.

Key documents required:

- Documentation (travel policy) related to per diem rates and travel rates (including calculation related to fuel usage and the distance travelled), the risk mitigation around the travel related costs.

- The national monitoring and evaluation framework and any documentation to support the rationale for the proposed monitoring and evaluation activities.
- To support the budget for a survey, implementers should provide:
 - Justification for the need for such survey and expected results;
 - Explanation of the protocol planned to implement the survey, including the sample size planned; and
 - List and detailed costing of activities required to implement the survey protocol as designed. All costs should be detailed and itemized to the Global Fund’s satisfaction and allocated to the appropriate cost inputs.

1.3 External professional services

8. External professional services (EPS) include external professional activities that directly or indirectly contribute to the grant’s implementation and management. The direct or indirect benefit to Global Fund grants should be clearly demonstrated for any item budgeted in and charged to the grant. The guidelines outlined in this sub-section are applicable to the following cost inputs:

External professional services (EPS)	
Cost Input	Description
3.1: Technical Assistance Fees/Consultants	The Global Fund defines technical assistance (also referred to as “technical cooperation” or “technical support”) as the engagement of people and/or organizations with specific and relevant technical expertise to reinforce implementers’ and national programs’ capacities; address specific technical and systems gaps, gender-related barriers and/or inequity in disease outcomes; support institutional development including for Community-led Organizations (CLOs) and Community-based Organizations (CBOs); design, development and implementation of human rights programs; and/or ensure inclusive country dialogue, grant-making, implementation and oversight of Global Fund-supported programs. Exact Technical Assistance (TA) needs should be identified at the country level through the dialogue between the implementers, relevant in-country partners and the Global Fund. Technical assistance can be requested throughout the grant life cycle, including for sustainability and transition planning and in-country processes linked to the Global Fund business model (e.g., National Strategic Plan Review and Development). Technical assistance can be either short-term (up to 3 months) or long-term (up to 3 years). Technical assistance or consultant fee/remuneration should be charged under this cost input whereas technical assistance related travel and per diem cost should be charged under cost input “2.2 – Technical assistance-related per diems/transport/other costs”.
3.2: Fiscal/Fiduciary Agent fees	Fiduciary and fiscal agent fees: ¹¹ the costs of providing financial management services to implementers by third-party organizations. This is usually part of the mitigating measures for financial management and may be directly contracted by the Global Fund.

¹¹ This may also include accounting and payment agent fees contracted for the administration or management of Grant Funds on a regular and/or ad hoc basis.

3.3: External audit fees	External auditor fees: the costs associated with hiring an independent auditor to provide an opinion and assurance on the financial statements and control mechanisms of Global Fund grants and may be directly contracted by the Global Fund.
3.4: Other external professional services	This is residual cost input that can only be used for external professional services that do not fall under any specific cost input under this cost category.
3.5: Insurance-related costs	The costs associated with all Risk Property Insurance; Motor and Fleet Insurance; Point to Point Transportation Insurance (as defined and further described in the Insurance Guidelines for Global Fund Grants 2018 , as may be amended from time to time) and other insurance-related costs (for specific insurance products and policies that do not form part of the above categories).

9. The following are key requirements and guidance for budgeting EPS related cost in the Global Fund grants:

External professional services (EPS)
Key requirements
<ul style="list-style-type: none"> • External professional services must produce specific deliverables on a timely basis. Applicants and implementers are best placed to identify technical assistance (TA) needs, search for consultants, convene a dialogue with partners, develop terms of reference (TORs), request TA, coordinate TA support and implement recommendations. Global Fund Country Teams (CTs) can provide applicants and implementers with information on external sources of TA available (e.g., bilateral partners TA and/or Catalytic Investment TA). Ensuring regular country-level discussions including the CTs, CCM, PRs, and other in-country stakeholders is important for coordinating TA. It is important to ensure that there are no duplicative TA requests therefore, applicants and implementers are encouraged to develop a structured approach to identifying TA needs and match them with the available TA options. Other best practices include developing and regularly revising a costed TA plan, engaging local consultants, and pursuing South-South Cooperation (i.e., use of local capacities and consultants, rather than flying-in experts). • Consequently, TA consultants should not be used to perform tasks and functions that are recurring in nature and that are expected to be filled by staff members through specific HR contracts. Long-term consultants – including consultants who are more akin to employees (those engaged on a continuous basis, for prolonged periods, without specific time-bound deliverables, and who receive monthly pay) – should be classified under the HR cost grouping. Per diems must not be paid to such long-term consultants. Implementers should have different contracting mechanisms for short- or long-term duration staff, based on the needs of the Program and applicable HR rules/local legislation. • TA costs should be budgeted at the most economical level, based on the scope and duration of the assistance needed to achieve the Program’s objectives. Consultancy fees should be consistent with local, regional, and international market practice, depending on the type of TA sourced. For international consultants and local and/or regional consultants, fees should not exceed the UN standard international rates and UN standard local rates, respectively. • In accordance with the Grant Regulations, Program Assets, including health and non-health products as well as other assets procured by Implementers using Grant Funds should where available at a reasonable cost, be relevantly insured with financially sound

and reputable insurance companies (refer to section 6.4(1) of the Grant Regulations and the [Insurance Guidelines for Global Fund Grants](#) (2018 as may be amended from time to time) (**Insurance Guideline**) for all the necessary information related to insuring Program Assets). Details and requirements related to budgeting modalities of the insurance related costs in the Global Fund budgeting template are further set out in the Insurance Guidelines. With regards to Program Assets, there are two main supply chain areas where insurance is applicable:

- The **upstream supply chain** is typically related to any goods (health products/non-health products, equipment, etc.) up to the point when they are delivered to the country of destination and before they are contractually handed over to the implementer. The insurance cost related to the upstream supply chain shall be reflected under the cost input “7.2 Freight and Insurance costs” with the amount attributed to the insurance of goods that is separate from the freight associated costs; and
- The **downstream supply chain** is typically related to all further in-country activities related to the storage, transportation and distribution of the goods and Program Assets. Insurance costs related to the downstream supply chain must be reflected under the cost input “3.5 Insurance-related costs”.
- Insurance-related costs should be taken into consideration based on the Program design considering all the potential cost drivers (e.g., volume of health and non-health products, equipment and consumables for the grant activities).
- Where some of the components of insurance coverage is not clear or the cost associated with insurance coverage is inadequate (unreasonably high or low), implementers should consult with the Global Fund.¹²

Cost not covered under this cost category

- Employee contracts that are considered consulting contracts.
- Cost of consultant or technical assistance to draft or write a funding request (please refer to [OPN on Design and Review Funding Requests](#) for further details).
- Health and medical insurance for the implementer’s employees should be included in the cost of employment and recorded under the HR cost grouping, provided such payments are consistent with section **1.1 Human Resources** above.

Key documents required

- Basis of costs related to consulting contracts.

1.4 Health products

10. Health products include: (i) pharmaceutical products; (ii) durable and non-durable in-vitro diagnostic products, microscopes and imaging equipment; (iii) vector control products; and (iv) consumable/single-use health products (including condoms, insecticides, therapeutic nutritional support, general laboratory items and injection syringes), which are financed out of the grant funds. The Global Fund plays a key role in global markets for health

¹² The Global Fund is not authorized to and does not arrange or advise upon insurance in any jurisdiction. Specifically, the Global Fund does not act as agent, negotiate, or place insurance contracts on behalf of others, or make introductions or advise in relation to or arrange or assist in arranging or make introductions in relation to contracts of insurance in any way. If you require advice on insurance or assistance in arranging insurance, you should always contact an insurance adviser or insurance broker with the required qualifications and authorization in the relevant jurisdiction. The Global Fund's insurance requirements for implementers (as set out in the relevant Global Fund grant agreement, and the Insurance Guidelines) are intended to protect the interests of the Global Fund. In no circumstances will any communications of the Global Fund relating to insurance arrangements be considered as varying the obligations of Implementers under the terms of the Global Fund grant agreement, or the policies and guidelines of the Global Fund.

products used in the fight against the three diseases. As a key financier in public health, the Global Fund is committed to maximizing investments through achieving affordable, quality assured, timely delivered pharmaceutical, non-pharmaceutical health products and health equipment. As the Global Fund grant budget may include a significant portion relating to the procurement and supply management of health products and equipment, these are managed through the [Health Product Management Tool \(HPMT\)](#),¹³ where relevant¹⁴ (refer to the key documents required below). This section provides budgeting related guidance relating to cost grouping 4-, 5-, and 6 and to complement the HPMT:

Health products	
Cost Input	Cost Input
4.1 Antiretroviral medicines	5.1 Insecticide-treated Nets (ITNs)
4.2 Anti-tuberculosis medicines	5.2 Condoms – Male
4.3 Antimalarial medicines	5.3 Condoms – Female
4.4 Medicines for Harm Reduction	5.4 Rapid Diagnostic Test
4.5 Opportunistic infections and STI medicines	5.5 Insecticides
4.6 Private Sector subsidies for ACTs (Co-payments)	5.6 Other laboratory reagents, test kits and consumables
4.7 Other medicines	5.7 Syringes and needles
4.8 Existing COVID-19 medicines	5.8 Other consumables
4.9 Novel COVID-19 medicines	5.9 Private Sector subsidies for RDTs (Co-payments)
4.11 Medicines for treatment of Monkeypox disease	5.11 Personal Protective Equipment
	5.12 Medical oxygen
	5.13 Molecular testing reagents, test kits and consumables
	6.1 Flow cytometry (CD4 analysers)
	6.3 Microscopy
	6.5 Maintenance and service costs for health equipment
	6.6 Other health equipment
	6.7 Medical Oxygen – Equipment
	6.8 Equipment for Molecular testing (NAT)
	6.9 Other laboratory equipment
	6.11 Equipment for Sequencing

¹³ [HPMT](#) in this context refers to a Health Products Management Tool or any other template that may replace or supplement it in the future.

¹⁴ [HPMT](#) is not required for grants that do not support procurement of health products. HPMT may also not be required in certain cases (e.g., focused portfolios with small health products budget). Please consult the CT for more information.

11. The following are key requirements and guidance for budgeting health products in the Global Fund grants.

Health products

Key requirements

- Implementers shall procure health products of assured quality in accordance with the [Global Fund Quality Assurance policies](#), the [Guide to Global Fund's Policies on Procurement and Supply Management of Health Products](#) (2021, as may be amended from time to time), and any applicable [Interim Quality Assurance Requirements guidance](#), following a competitive and transparent process to achieve the best value for money. The budgeting principles outlined in this document equally apply to all health products.
- In addition to the above policies and guidance, implementers procuring health products through the Global Fund's Pooled Procurement Mechanism/wambo.org, must also comply with the [OPN: Pooled Procurement Mechanism](#).
- From a budgeting perspective, the rationale and justification for purchase of health products must be presented, either during the funding request process and/or through the grant-making process. At the time of selection and budgeting for equipment, implementers shall consider the total cost of ownership of equipment (including cost of equipment, installation/commissioning, useful life of equipment, cost of necessary reagents/consumables, additional trainings, lab connectivity services presence and useful life of existing/available equipment) beyond what is offered through the standard procurement options.
- When preparing the HPMT¹⁵ and related budget (the health product related budget is prepared as part of the HPMT, for detail please refer to the [Instructions for completing detailed budget template](#) and [Instructions for completing the HPMT](#)), implementers shall always disclose include the source of the price references used (regarding the HPMT, this relates to any instances where the prevailing reference price is not used). If the outcome of a procurement process for products meeting the required specifications and standards results in a price that is higher than the relevant reference price – taking the total cost of ownership¹⁶ into consideration – national or other funding sources may be required to pay the difference.
- **Unit cost** is critical for the preparation of the [HPMT](#) and related budget. Unit costs shall be estimated based on reputable sources of reference prices where one exists:
 - The unit costs for Pooled Procurement Mechanism-eligible Health Products, including antiretrovirals, antimalarial medicines, HIV and malaria rapid diagnostic tests, Insecticidal Treated Nets (ITNs), equipment and consumables for viral load testing, Personal Protective Equipment (PPE), Insecticides for IRS, and others shall be aligned with reference prices published by PPM/wambo.org.¹⁷ These reference prices are updated periodically to reflect current and foreseen market conditions; the prevailing reference prices should be used at the time of grant-making or grant revision.
 - Other unit costs shall be taken from the globally negotiated price lists and catalogues for specific health and non-health products including prices negotiated by partners or

¹⁵ Criteria on whether an [HPMT](#) should be developed for a Funding request or for a grant or not is outlined in the [HPMT user guidelines](#) available on the Global Fund's website. Please refer to this document to determine whether a PR shall prepare an HPMT for the grant or not.

¹⁶ Total cost of ownership means the total amount of all direct and indirect monetary costs related to the procurement, storage and distribution of a diagnostic product by a recipient, including the price of the product itself, any reagents and other consumables, transportation, customs clearance, insurance, in-country distribution and storage, quality assurance, including quality monitoring, training, and validation of new diagnostic algorithms or equipment/tools, and, as applicable, operating costs including cost of installing, servicing, commissioning and maintaining equipment.

¹⁷ Available through www.wambo.org or on the [Sourcing & Management of Health Products](#) page of the Global Fund website. The list of items, as well as reference prices, are updated regularly.

through partner platforms such as a Products Catalogue of the [Stop TB Partnership's Global Drug Facility for anti-tuberculosis health products](#).¹⁸ The Global Fund, without a solid justification and a reasonable explanation, shall not accept unit costs that are not aligned with the above-mentioned references.

- For products that have no reference prices established by PPM/wambo.org, Stop TB Partnership, etc., historical invoices or results of market research can be used for budgeting and price estimation purposes.
- All unit costs of health products shall be budgeted on Ex Works (EXW) or on Free Carrier (FCA) basis and costs related to delivery of products to a final destination (e.g., freight, insurance, procurement agent fees) shall be budgeted separately. In certain cases, other incoterms (e.g., CPT or DAP) can also be used for budgeting purposes. Use of DDP (Delivered Duty Paid) shall not be used as it includes taxes that cannot be charged to Global Fund grants (refer to section 2.3 - Management of Taxes of [Guidelines for Grant Budgeting](#)).
- **Warranty Cost:** Refers to the cost of promise or assurance by the manufacturer or supplier to compensate for manufacturer defects to Program Assets under certain specific circumstances or conditions duly included in the contract/agreement to ensure continued equipment functionality for a manufacturer considered period of time. Extended warranty cost may be included in the cost of health products as long as the extended period is within the respective allocation utilization period and/or IP of the relevant grant.
- **Maintenance Cost** refers to the costs of routine maintenance¹⁹ of health equipment to keep them in optimal working condition. Ideally this cost should be budgeted and paid on a periodic basis (annual basis) or as a part of reagent markup and the service should be rendered within IP.
- Health products procured with Grant Funds shall be delivered within and used during the IP. This does not apply to buffer stock (refer to below paragraph) that can be planned for and carried over into the next IP. Implementers are advised to plan stock levels appropriately and where necessary, plan for and include in the HPMT buffer stock of health products to ensure smooth transition to a new grant or to another funding source. Any quantity of products procured in 'excess' (e.g., above the quantity of health products required during the previous Implementation period plus buffer stock) and carried over from the previous grant shall be accounted for in accordance with the [OPN: Implementation Period Reconciliation and Grant Closure](#). Implementers are advised to consider in their planning:
 - Standard procurement process lead time (e.g., from the starting point of raising a health product procurement requisition from the technical units such as the HIV, TB or Malaria programs to the procurement unit or other relevant bodies within the MoH until approving the requisition to raise a purchase order by the supplier); and
 - Product delivery lead times.
- **The buffer stock** (or a safety stock) is the stock that should always be on hand at the national, regional, district and/or facility level to mitigate the risk of stock-outs due to delays in delivery of products or unexpected increase in consumption. It represents the quantity of stock required to allow for variations in supply lead times or consumption rates. There are many ways of estimating the level of buffer stock. The amount of buffer stock can be

¹⁸ See the [Global Drug Facility catalogue](#)

¹⁹ Including the costs of calibration services, preventive maintenance services, labor and field travel costs related to spare parts replacement

calculated by multiplying projected average monthly consumption by average lead time²⁰ (month) or it can be defined as a (reasonable) fixed number of months that shall never exceed 12 (nationwide). The amount of buffer stock, unless explicitly agreed by the Global Fund, shall follow the applicable national policy/standard operation procedures requirements. The calculation of buffer stock is a moving process during grant implementation, as the consumption may fluctuate, or the supply lead time may change. If buffer stocks are to be included in the budget, a justification with assumptions is required.

- It is critical to ensure that sufficient levels of stocks (including buffer stock) are adequately planned and managed during the current Implementation Period, for a successful and smooth transition to the next Implementation Period or to another funding source with uninterrupted availability of health products. When preparing quantification for the next implementation period, implementers need to consider existing (or forecasted) stocks levels of products at country level plus stock in the pipeline at the time of start date of the next Implementation Period.
- **Health equipment**, in general, the chosen strategy for the purchase or the leasing of health equipment, as explained in the funding request or described during the grant-making process, is acceptable if technically sound, and represents good value for money in long-term cost savings or operational risk reduction. Before budgeting for laboratory/diagnostic equipment, implementers shall consult the national laboratory strategic Plan (if available) and ensure that investment in laboratory technologies is aligned with the mentioned plan. Implementers are also expected and strongly advised to conduct three-way analysis: i) buy equipment vs optimize network and invest in sample transportation system; ii) buy vs rent; and iii) integrate/multi disease equipment vs program specific equipment before finalizing the decision to purchase certain equipment (e.g., equipment for viral load testing).²¹

Key documents required

- The Health Products Management Tool (HPMT), where relevant, is used to guide procurement of health products during the grant lifecycle. The [HPMT](#) should be filled following the instructions in [HPMT user guidelines](#).²² Implementers shall procure health products as outlined in the HPMT and approved by the Global Fund. Implementers are advised to check the Global Fund's website and download most recent version of the [Health Products Management Tool](#) and its user guidelines. The [HPMT](#) shall clearly articulate: i) item name, description and specifications; ii) pack size and unit of measurement; iii) quantities for each item supported with relevant quantification and/or needs assessments (for equipment, infrastructure) and explanations on how the needs have been determined; iv) unit costs for each item. Unit costs shall be based on the reference prices from Global Fund's Pooled Procurement Mechanism (PPM)/wambo.org and/or Stop TB Partnership's Global Drug Facility (where such a price exists) as outlined below. The most recent version of HPMT will have PPM unit costs embedded within the template and users will see whether the budgeted unit cost is in line with the PPM reference; v) procurement entity (or channel) for each product category; and vi) delivery lead-time in quarters and related PSM/HPM costs.

²⁰ See the [Global Fund's Category and Product-level Procurement and Delivery Planning Guide](#) for indicative lead times for key HIV and malaria health products procured via the Global Fund's Pooled Procurement Mechanism. See the [Stop TB Partnership's Category and Product-level Procurement and Delivery Planning Guide](#) for indicative lead times for key TB health products procured via the Global Drug Facility.

²¹ The HIV Viral Load and Early Infant Diagnosis Selection and Procurement Information Tool is being updated and will be published on the Global Fund website very soon. The tool will provide guidance on the total cost of ownership, including pricing components for consideration and a comparison of contracting options of VL and EID equipment.

²² HPMT and its user guidelines can be downloaded from the Global Fund's website. Alternatively, implementers may request these documents from the respective Country Teams.

- The [HPMT](#) shall be accompanied with supporting documents including forecasting/quantification worksheets, showing programmatic targets, assumptions and calculations used for the estimation of quantities of health products and related costs. The health products shall be forecasted/estimated based on the programmatic targets set in the applicable Performance Framework and or National Strategic Plan (NSP). Contributions from other donors/sources, if any, stocks on hand (including those procured under the Global Fund's previous grant or procured through non-Global Fund sources) and orders in the pipeline shall be considered in the forecast. For preparation of quantification/forecast as part of the funding requests, estimated stock levels as of the start date of the grant (opening stock balance) shall be used in the quantification of needs.
- Justification for requested health equipment. The Global Fund may request the Principal Recipient or other implementer to submit a technical specification for the selected health equipment, which may include an analysis of the cost effectiveness of the proposed selection.

1.5 Procurement and supply-chain management

12. The critical components of the health products budget, together with unit and total costs of products, are costs related to delivery of products to its destination(s) or to locations where these products are needed. The Global Fund may finance costs related to procurement and supply management of health products. Procurement and supply management costs (also referred to as health product management costs) may cover activities related to management of health products starting from selection of products until delivery to beneficiaries, use and reporting (e.g., on use of products, as well as safety and adverse effects). This section covers the guidelines on the following cost inputs:

Procurement and supply-chain management costs (PSM)	
Cost Input	Description
7.1: Procurement agent and handling fees ²³	Most procurement agents charge on a percent fee basis based on the value of the health products being procured. The procurement service agent fee structure for the Global Fund's Pooled Procurement Mechanism is available as a reference. For products that are procured through PPM, procurement agent fees shall be budgeted in line with the published references. ²⁴ For non-PPM purchases, where procurement agent fees are relevant, implementers are encouraged to budget these costs based on historical expenditures that were paid in the past.
7.2: Freight and insurance costs	For accurate cost estimation and budgeting of freight and insurance costs, it is important to identify a mode of transportation and understand the delivery terms (Incoterms) for the health products. Lack of understanding of Incoterms rules and respective obligations, costs and risks may lead to inaccurate budgeting and difficulties in supplies management. For budgeting purposes, all unit costs of health products shall be budgeted on Ex Works (EXW) or on Free Carrier (FCA) basis and costs related to delivery of products to a named place destination as per the chosen Incoterm (e.g., freight, insurance, procurement agent fees) shall be budgeted separately. Where possible, freight and

²³ The implementer must demonstrate that the selected procurement agent results from a competitive tendering process and represents, the best value for money for the services required.

²⁴ Available through www.wambo.org or on the [Sourcing & Management of Health Products](#) page of the Global Fund website. The list of items, as well as reference prices, are updated regularly.

	insurance costs should be based on prices quoted by a supplier or a freight forwarder (previous invoices or other credible pricing reference should be used). The freight and insurance indicative reference costs for the Global Fund's Pooled Procurement Mechanism are available as guidance and shall be used for budgeting of freight and insurance costs for products procured through PPM/wambo.org . These reference costs are updated periodically to reflect current and foreseen market conditions; the prevailing reference prices should be used at the time of grant-making or grant revision.
7.3: Warehouse and Storage Costs	Warehouse and storage costs that are required for safe storage of health products in appropriate conditions. This may include certain fixed costs that are not dependent on quantity or volume of procured products such as utilities, labor, security or in case the grant does not budget to procure health products but only pays for Health Product Management costs. The fees paid to private providers for warehouse and storage space shall also be included under this cost input.
7.4: In-country distribution costs	In-country distribution costs cover in-country transportation of health products and equipment from one location to the other.
7.5: Quality assurance and quality control costs (QA/QC)	Quality assurance (QA) and quality control (QC) costs are supported by the Global Fund as a component of Health Products Management costs. QA/QC activities may be undertaken pre-shipment, when the health products are in the country (post shipment), throughout the supply chain or during one or all these periods, and therefore should be budgeted for accordingly. QA/QC costs are often budgeted as a percent of the value of the health products, which should be supported by assumptions or evidence on how the percentage was calculated and what activities will be covered. The costs may include any reasonable quality control testing by a third-party laboratory that needs to be undertaken to monitor the quality of health products throughout the supply chain. These costs, based on the input made by an implementer in the HPMT, will automatically be calculated by using the template and included under the cost input "7.5 Quality assurance and quality control costs". The quality assurance and quality control indicative reference costs for the Global Fund's Pooled Procurement Mechanism are available as guidance. Implementers can budget these costs based on historical expenditures that were paid in the past.
7.6: PSM Customs Clearance	As stipulated in Article 3.5 of the Grant Regulations , Global Fund Grant Funds are made available based on the condition that Grant Funds shall be exempt from relevant taxation imposed by the host country concerned (see Article 3.5 of the Grant Regulations as applicable). Accordingly, this cost input can only be used for budgeting of fees related to customs clearance service, of health products procured under the grant, including customs clearance agent fees, customs warehouse charges and customs terminal charges.
7.7: Other PSM costs	This is a residual cost input that can only be used for PSM related cost that does not fall under any specific cost input (7.1 to 7.6) under this cost category.

13. The following are key requirements and guidance for budgeting PSM related cost in the Global Fund grants:

Procurement and Supply-chain Management (PSM)
Key requirements

- The budgeting principles outlined in this document equally apply to Health Products Management costs, including:
 - The budget cost including percentage fees, if any, shall be calculated using actual operational data and current costs/historical costs with +/- adjustments due to change in macro-economic factors (foreign exchange rate and inflation);
 - The budget should represent good value for money; and
 - The budget should not contain any element of cost over-recovery²⁵, provision or contingency. Where there is a strong expectation of future price changes (e.g., following past trends or based on new regulatory changes or new arrangements) they may be projected in the budget with strong narrative justifications.
- For budgeting purposes, PPM has published [Indicative reference costs for international freight, insurance, and quality assurance](#). Implementers, and particularly those who procure health products through PPM/wambo.org are advised to budget for upstream Health Products Management costs as per the above indicated reference. These reference costs are updated periodically to reflect current and foreseen market conditions; the prevailing reference prices should be used at the time of grant-making or grant revision.
- The breakdown of Procurement and Supply Management costs is required in the budget to facilitate the Global Fund's review. The costs must be supported by evidence in the form of past or pro forma invoices, own operational costs, quotes from reputable sources, current price lists or other credible references/assumptions. This requirement is not applicable to all Focused portfolios.
- For convenience, Procurement and Supply Management costs are often presented as a percentage of the value of the health products. Where possible, a percentage rate shall be based on and calculated using reference prices or historical costs (paid in the past) and included into the Health Products Management Template accordingly.
- Any percentage-based cost should have a basis and relevant assumptions/justifications. When percentage-based costs are charged as a share of total operational costs, the relevant calculations and documentation shall be provided. Such documentation should include information on the volume of health products managed in the past and going forward, past financial statements and budget and forecast of expenditures. A percentage-based storage cost should be supported by a demonstration of how the percentage has been arrived at (i.e., estimated total costs of the storage facility divided by the throughput of health products for the same period). Estimates of costs with no clear basis, assumption or justification provided, will not be approved by the Global Fund.

Cost not covered under this cost category

- **Capacity-building activities** should be budgeted under the cost grouping for external professional services or travel-related costs.
- **Logistics Management Information Systems (LMIS)**: Equipment, hardware and software costs for LMIS shall be budgeted under infrastructure and equipment costs. As a general principle the LMIS procured shall be an 'off the shelf' solution, proven to operate in similar circumstances and environments. Other relevant costs for LMIS implementation, for example technical assistance, human resource and travel-related costs shall be budgeted under the respective cost categories.
- **PSM/HPM Health Products Management system strengthening**: Significant investments in and changes to the budget for supply chain management, supply systems strengthening and laboratory systems strengthening activities (activities budgeted under the

²⁵ Except when a private sector procurement agent is engaged, the fees are assumed to include a profit margin based on the negotiated terms.

cost grouping 7.0 or budgeted in various cost groupings but intended for supply chain systems strengthening or lab services and systems strengthening), shall be made in consultation with the Global Fund Sourcing and Supply Chain Department through the Global Fund Country Team. In addition to supply chain operational costs, the Global Fund may finance investments aimed at strengthening supply chain processes and systems, and regulatory capacity for both pharmaceutical and laboratory services, as highlighted in the [Information Note – Resilient and Sustainable Systems for Health \(RSSH\)](#) and in the [Global Fund Modular Framework Handbook](#).

1.6 Infrastructure

14. Infrastructure (INF) costs include costs necessary to ensure that implementers have sufficient physical infrastructure capacity in place to implement and achieve the objectives of the Program. The guidelines outlined in this sub-section are applicable to the following cost inputs:

Infrastructure (INF)	
Cost Input	Description
8.1: Furniture	This cost input covers furniture that are required for the implementation of Program activities e.g., chairs, tables, shelves, desks, and others.
8.2: Renovation/constructions	<p>The Global Fund’s grant resources may be used for improving or scaling-up health infrastructure. “Health infrastructure” means facilities that are necessary for the uninterrupted operation of the health system and may include: service delivery facilities (e.g., outpatient clinics, inpatient clinics, etc.), support facilities (e.g., supply chain warehouse, residential accommodation for health care personnel, etc.), administrative facilities (e.g., offices of the Ministry of Health, offices of regional/district health departments, etc.) and others.</p> <ul style="list-style-type: none"> • “Improving” means enhancing the functionality and/or quality of existing facilities by renovating and/or redesigning a part or full facility, and/or installing equipment and/or furniture. • “Scaling-up” means increasing the operational output by enlarging existing facilities or constructing new facilities.
8.3: Infrastructure maintenance and other INF costs	Maintenance Cost refers to the costs of routine maintenance (for example, electrical repairs, roof repairs and plumbing etc.) of infrastructure to keep them in optimal working condition. Ideally this cost should be budgeted and paid on a periodic basis (annual basis) and the service should be rendered within the relevant IP.

15. The following are key requirements and guidance for budgeting INF related cost in the Global Fund grants:

Infrastructure (INF)
Key requirements
<ul style="list-style-type: none"> • Implementers should normally have adequate facilities for supporting implementation and therefore the building/leasing of office premises are generally not funded through Global Fund grants. In exceptional circumstances, and if outlined in the funding request and/or any subsequent request during grant implementation, the Global Fund may consider certain aspects of these costs in post-conflict and post-disaster situations.

- All requests for Grant Funds to be used to invest in infrastructure projects are encouraged to include evidence of any co-financing from domestic or other donor resources.
- The budget for infrastructure should build on a detailed needs assessment developed in support of the funding request. The needs assessment must include the review of the existing assets and infrastructure (including those in the list of Program Assets) in the possession of the implementing entities and provide evidence of any required replacement or new procurements. Infrastructure and equipment costs should be supported by a detailed estimate which clearly shows the following elements relating to the acquisition of the asset:
 - All relevant costs²⁶ such as the cost of the assets, freight and insurance costs should be budgeted for in accordance with terms of the underlying transactions.
 - Relevant price references, including recent quotations, previous invoices for the same items, price lists of several reliable suppliers, reference prices provided by the Global Fund or other credible sources.
- Implementers must comply with applicable laws rules, and regulations, such as health and safety, construction, design and management, labor and other laws, and are responsible for any third-party liabilities.
- During implementation, implementers are expected to provide frequent progress updates to the Global Fund on the progress of INF activities. No payment to contractors should be made before the implementer has received assurance (e.g., payment certificate issued by a certified engineer) that the invoice corresponds to actual quantities of work and materials utilized in the complete and satisfactory performance of the contract, and that all equipment and systems are of good quality, function well and conform to applicable local regulatory standards. Based on the advice of an architect regarding the planned project, the budget should include a detailed cost estimate certified by a qualified professional, for example a quantity surveyor. Contingencies or provisions should not be included in the budget.
- Implementers are expected to have clear policies on maintenance, disposal and/or replacement of assets (in accordance with the terms of the relevant grant agreement), and costs of such activities should be clearly budgeted if applicable. Please refer to the Global Fund [Guidelines on Fixed Assets Management](#) and [Operational Policy Manual](#), Section 3: Grant Closure for further detail on accounting, reporting, maintenance and transfer of fixed assets (including from one Implementation Period to another).
- For further details please refer to [Appendix 5](#) for more guidance on the Investments in Facilities/Infrastructure Renovation and Construction.

Cost not covered under this cost category

- The Global Fund does not fund the construction of large-scale projects, such as an entire hospital.
- Cost of acquisition of land for construction and any right of way costs.

Key documents required

- Rehabilitation and/or renovation and enhancement activities require prior [Global Fund's](#) approval. Implementers must submit:
 - A feasibility study to show the viability of the project and completion schedule within the grant Implementation Period, including detailed explanations of what is planned to be rehabilitated, renovated and/or enhanced.

²⁶ Tax if any must not be charged in the cost of assets, please refer to section “2.3 Management of taxes” of [Guidelines for Grant Budgeting](#) for further details.

- The total cost of the project, detailing the portion that is requested to be financed by the Global Fund and identifying all the other sources of funding, as well as any conditions attached to those sources of funding.
- Information on the mechanisms the implementer will apply to oversee and monitor the progress of the work including details on the entity(ies) hired for the supervision, quality control and certification.
- Information on the sustainability of funding, with an explanation of how the running and maintenance costs of the facility(ies) will be funded; and
- Overview of the internal controls and oversight management systems the implementer will be using to prevent any potential mismanagement of funds.

1.7 Non-health equipment

16. This cost category includes cost of non-health equipment (NHE) that is required to deliver efficient and effective services to ensure achievements the objectives of the Program:

Non-health equipment (NHE)	
Cost Input	Description
9.1: IT – computers, computer equipment, software, and applications	This cost input covers the cost of computers, computer equipment, software and applications. The purchase or development cost including license fee of software should also be budgeted under cost input “9.1” whereas related training cost should be budgeted under cost input “2.1”.
9.2: Vehicles	Vehicles include all engine-powered vehicles (including automobiles, ambulances, mobile labs, motorcycles, and boats) which require registration with a vehicle registration authority in any area where the Global Fund grant is being implemented.
9.3: Other non-health equipment	This is a residual cost input to cover non-health equipment that does not fall into specific cost inputs under this cost category e.g., incinerators etc.
9.4: Maintenance and service costs non-health equipment	Maintenance Cost refers to the costs of routine maintenance (for example, electrical repairs, roof repairs and plumbing etc.) of infrastructure to keep them in optimal working condition. Ideally this cost should be budgeted and paid on a periodic basis (annual basis) and the service should be rendered within the relevant IP.

17. The following are key requirements and guidance for budgeting NHE in the Global Fund grants:

Non-health equipment (NHE)	
Key requirements	
<ul style="list-style-type: none"> • Implementers should develop a comprehensive annual procurement plan for operational purposes, which outlines the annual procurement needs and procurement method for the acquisition of non-health equipment funded from each relevant Global Fund grant. This helps to determine the most appropriate, economical, and cost-efficient method in the procurement of goods and services as well as define the suitable planning for timely delivery. • Certain non-health products used in the Global Fund Program setting such as Information Communication and Technology (ICT) equipment, vehicles, prefabricated building, equipment for material handling electricity generators, incinerators for waste management, 	

solar panels etc., can be procured through wambo.org and/or via UNOPS [UNWebbuyPlus](#) marketplace. Unit costs for these products are published on Global Fund's website and shall be used for grant budget preparation.²⁷

- Budgeting for vehicles should build on the goals and objectives of the funding request and supporting documentation. When budgeting for vehicles is not included as part of the funding request and the amount of funding requested or budget for vehicles is considered by the Global Fund as significant,²⁸ the implementer will be requested to provide the Global Fund with a vehicle needs assessment and management plan, incorporating procurement procedures at the start of the grant (or prior to disbursement for the activity). Please refer to [Appendix 6](#) for further details.
- Implementers must follow their organizational procurement and fixed assets management policies and applicable laws and regulations consistent with the Global Fund [Guidelines on Fixed Assets Management](#) and [Financial Management Handbook for Grant Implementers](#).
- Vehicle insurance costs, as well as related ongoing running and maintenance costs, should be included in the budget for the duration of IP only. These costs should be based on the country context including condition of routes, availability of service networks and spare parts.
- **Warranty Cost:** Refers to the cost of promise or assurance by the manufacturer or supplier to compensate for manufacturer defects to Program Assets under certain specific circumstances or conditions duly included in the contract/agreement. Extended warranty cost may be included in the cost of non-health products as long as the extended period is within the respective allocation utilization period and/or IP of the relevant grant.

Cost not covered under this cost category

- Non-health equipment or related maintenance cost already paid or covered by another donor.
- Proposed non-health equipment with no programmatic basis or justification.

Key documents required

- Rationale for needs/replacement, programmatic basis and costs of non-health equipment and up-to-date Fixed Asset Register (FAR).

1.8 Communication material and publications

18. This cost category covers communication materials and publications intended to support fulfillment of Program objectives and may include print and other costs associated with Program-related campaigns, TV spots, radio programs, advertising, media events, education, dissemination, promotion and/or promotional items. This also includes payments to external suppliers for services related to design, content, production, placement online, printed, audio and video materials. The guidelines outlined in this sub-section are applicable to the following cost inputs:

Communication material and publications (CMP)

Cost Input	Description
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²⁷ Available through www.wambo.org or on the [Sourcing & Management of Health Products](#) page of the Global Fund website. The list of items, as well as reference prices, are updated regularly.

²⁸ The Global Fund Country Team may determine whether a vehicle budget is significant based on the country context, circumstances and risk concerns. The vehicle budget may be considered significant when exceeding US\$0.5 million. In situations where the vehicle budget is below this threshold, based on the risks foreseen, the Global Fund Country Team may still request a vehicle needs assessment and management plan.

10.1: Printed materials (forms, books, guidelines, brochure, leaflets...)	This cost input includes printed material including forms, books, guidelines, brochure and leaflets.
10.2: Television/Radio spots and programs	Behavioral change communication messages may be delivered via the means of billboards, radio, and TV advertisements.
10.3: Promotional Material (t-shirts, mugs, pins...) and other CMP costs	This cost inputs covers promotional material including t-shirts, mugs, pins etc. and other CMP costs not covered under cost inputs “10.1” and “10.2”.

19. The following are key requirements and guidance for budgeting CPM related cost in the Global Fund grants:

Communication material and publications (CMP)
Key requirements
<ul style="list-style-type: none"> • Sufficient justification should be included, for example by the nature of the epidemic, and/or to ensure access to vulnerable populations. The cost of development and production of any such material should be supported with verifiable reference sources and essential specifications. Communication materials and publications should be used primarily to deliver messages to target population groups, intended to change or endorse behavior and provide information on services available to these groups. • Communication materials and publications used for capacity building, planning and administration may also be funded by Global Fund grants. Service provision protocols, operational templates and training materials should be developed, designed and printed using in-house human resource and printing capacities, and outsourced only in exceptional cases, which should be justified to the Global Fund in budget assumptions. • To avoid duplication of costs, communication materials and publications already developed, whether internally or externally, should always be considered before budgeting for new communication materials and publications. During grant-making or grant implementation, the Global Fund may require implementers to provide additional information on the communication material and publications strategy if the budget represents a significant amount. Whether a budget is considered significant will be determined by the Country Team based on the country context and risk analysis. • Internally produced communications materials and publications costs should be based on the marginal costs of production. The budget should not include any “sunk costs”, which would be incurred regardless of the implementation of the Global Fund grant, e.g., machine depreciation and print-shop workers’ costs not related to the volume produced. • Unit costs for printed materials and promotional materials should demonstrate VfM, particularly represented by the best available price on the market for the specifications, for example, color, number of t-shirts, caps, number of pages, paper format. For budgeting purposes, the implementer should refer to credible pricing references, use historical data, or obtain pro forma invoices to support the costing. Implementers should ensure that such justification for the unit costs is well documented and readily available for review by the Global Fund or its assurance provider. Given that the range of unit prices for printed materials can vary depending on the specifications and format required, the budget should include essential information on the specifications of each item, for example, color, number of pages and paper format). • Quantities of printed materials and promotional materials should be clearly justified by defining the number of beneficiaries intended to be reached in the goals and objectives

of the grant. Frequency of audio and video advertisement should be clearly linked with the targets of people intended to be reached.

- **Other costs associated with printed materials and promotional materials**, including storage, distribution, design, development and/or contents of communications may be funded by Global Fund grants. Any such costs should be supported by clear budget assumptions and reference sources used for budgeting.

Cost not covered under this cost category

- Excessive and unjustified quantities.
- Inflated costs and/or items with no programmatic basis or justification.

Key documents required

- For a budget determined significant by the Country Team, the Principal Recipient will be requested to provide the following additional information:
 - Description of the communications strategy for the Program and the expected impact of the individual communication activities on target groups.
 - Demonstration of VfM of the selected communications interventions, through the following:
 - i) Showing economy – how the best available prices have been budgeted for externally sourced services for the required specifications; and
 - ii) Showing efficiency – all reasonable options have been assessed to calculate the best possible cost to reach the maximum numbers of beneficiaries, e.g., using in-house capacity at lower cost or using materials already available instead of developing new ones.
- The Principal Recipient is ultimately responsible for managing printed materials and ensuring that no fraud, waste, or loss occurs at the any implementing entity level. As part of its operational policies, the Principal Recipient should have clearly documented policies and procedures around managing printed materials, including storage and distribution procedures, regular inventory counts, waste and loss prevention.

1.9 Indirect and overhead costs

20. The Global Fund encourages the development of in-country capacity and strives to ensure optimal allocation of resources to service delivery and maintaining the overall level of administrative costs at a minimum level. Indirect and overhead costs are costs associated with the implementation of Global Fund grants that cannot be directly attributed to individual grant objectives and targets. The guidelines outlined in this sub-section are applicable to the following cost inputs:

Indirect and overhead costs (IOC)	
Cost Input	Description
11.1: Office related cost	This cost input covers the cost of rent, electricity, utilities, mail, telephone, internet, insurance, ²⁹ fuel, security and cleaning and others.

²⁹ "Risk-based insurance costs" for the safeguarding and protection of grant assets (tangible or not) may be eligible costs to be budgeted/expensed in Global Fund-funded Programs. Country context and risk is a key determining factor on insurance costs.

11.2: Unrecoverable Taxes and duties	As explained in section 3.3 above, Article 3.5 of the Grant Regulations includes a non-comprehensive list of taxes from which the use of Grant Funds shall be exempt. Accordingly, this cost input should only be used for accounting and reporting purpose (not budgeting purpose) to have visibility on any payment and track non-complaint expenditure related to taxes and duties.
11.3: Indirect Cost Recovery (ICR)	Implementers are generally expected and strongly encouraged to include in the budget all costs associated with the implementation of Program activities as direct charges to the grant. However, in cases where the support/common/indirect/shared cost cannot be directly attributed to a single grant or Program in an economically feasible way (therefore charged or allocated to two or more funding sources or different Global Fund grants), the Global Fund allows implementers to charge either ICR or shared cost. In the case of grants managed by International Non-Government Organizations (INGOs), Local Non-Government Organizations (Local NGOs) ³⁰ and other international organizations, provisions may be included in the grant budgets for support and indirect cost, and to remunerate services provided by the headquarters/regional offices ³¹ in support of the implementation of the grant at the country level. This may be the case either when the grant agreement is signed directly by the in-country office or when it is signed by the headquarters while the program is implemented by the local office.
11.5: Shared Cost	The country office of the implementer (including International NGOs, Local NGOs, civil society organizations and government implementers) that are implementing Programs and activities supported by several donors are allowed to charge Shared Cost , if they have adequate financial system and capacity to demonstrate transparent cost recovery, by using “costing-based approach” or “percentage of grant amount approach”.
11.4: Other PA costs	This is a residual cost input, any indirect and overhead cost that does not fall under any of other cost inputs, can be budgeted under this cost input.

21. The following are key requirements and guidance for budgeting indirect and overhead cost in the Global Fund grants:

Indirect and overhead costs
Key requirements:
<ul style="list-style-type: none"> Costs charged to a Global Fund grant, whether direct or indirect must: i) be the actual costs attributable to the activity being funded by the grant (or a reasonable approximation thereof); ii) not bear any profit element or margin above cost; iii) not be charged with a view to income generation; and iv) not include any risk premium which is not based on actual cost. If the implementer manages multiple Global Fund grants or donor funded projects, only incremental administrative costs deriving from the additional level of activity attributable to the Global Fund grant may be included in the grant’s budget. Funding available through their own resource-mobilization activities and through other donor funding should be considered when requesting funds from the Global Fund for indirect and overhead related costs. The support/common/indirect or shared services cost may include the cost relating to:

³⁰ The preferred option for Local NGOs is shared cost. However, if shared cost approaches create additional administrative burden and inefficiencies in the management of shared-costs, local NGOs with the appropriate financial management capacity may be allowed to charge a percentage-based support costs/ICR.

³¹ Headquarters/Regional Offices are generally located outside the country where the grant is implemented and support the in-country office of the organization to fulfill their activities and meet the grant’s objectives.

- Accounting, treasury management, reporting & internal audit.
- Human resources administration support.
- Procurement services; legal support and IT support cost.
- Management support and oversight; and
- Routine technical assistance and capacity building of in-country staff and structures.

Description	ICR	Shared Cost
Scope	<ul style="list-style-type: none"> • The eligible (meeting below mentioned pre-conditions) International NGOs and Local NGOs implementers can opt to charge either ICR or Shared Cost; • The eligible other implementers including Civil Society Organization can only charge Shared Cost; and • Governmental and public entities implementers should only charge direct costs to Global Fund budgets. Indirect costs, such as the use of facilities, heat and light are assumed to be funded through the national budget. Such costs may only be charged using costing-based approach in exceptional situations when the Principal Recipient can clearly demonstrate that indirect costs have increased incrementally because of the implementation of Global Fund grants. The Global Fund does not support percentage-based costing for indirect costs for government and public entities. 	
Pre-conditions	<ul style="list-style-type: none"> • The nature and level of support activities are agreed with the Global Fund at the time of grant-making. • Support/indirect or common costs enhance sustainability, value for money, performance and generate economies of scale in the delivery of services. • Financial system and capacity are in place to demonstrate transparent cost recovery.³² 	
Ineligible Cost	<ul style="list-style-type: none"> • Costs related to the organization’s own public relations, marketing and fundraising activities; the cost of opening or establishing a country office by the implementer; and the development of Concept Notes. 	
Approach	<ul style="list-style-type: none"> • Agreed percentage rates approach: Charge agreed percentage rate, not exceeding the maximum applicable rate based on the type of the implementer and type of cost as outlined in the Appendix 1. 	<ul style="list-style-type: none"> • Costing based approach: charge appropriate share of Shared Costs based on specific cost drivers as per Appendix 1. • Percentage of Grant Funds amount approach: charge percentage of Grant Funds amount as per Appendix 1.
<ul style="list-style-type: none"> • If the Global Fund at its sole discretion approves funding for either ICR or shared cost, the Global Fund may include a grant requirement in the relevant grant agreement to specify terms such as the applicable rates, approved budget, description of services to be covered or other terms it may deem appropriate. • Each PR that receives funding for ICR or shared cost is required to: <ul style="list-style-type: none"> ○ Acknowledge and agree in the relevant grant agreement that it shall use such funding only in compliance with these guidelines; and 		

³² This may include a clear audit trail on cost recovery mechanisms that are in place and subject to independent external audit review.

- Provide the Global Fund with all the necessary information to allow the Global Fund to confirm that funds have been charged to the grant in accordance with the approved budget and to confirm that the PR's headquarters have provided any agreed services (when applicable).
- Funding for support costs and ICR shall not be applied when a financial management intermediary (i.e., a "fiduciary agent" or "fiscal agent") is appointed to oversee and verify expenditures of Grant Funds, without the prior approval of the Grant Approvals Committee.
- The CCM endorses the ICR or shared cost budget as a part of the funding request. In the event ICR or shared cost is not included in the funding request or where the nomination of the PR is not finalized at the time of funding request development and approval (as permitted under Global Fund policies and procedures), ICR or shared cost of eligible PR may be incorporated in the grant-making budget within the limits of the total funding ceiling. The budgetary implications of such costs should be disclosed to the CCM before submitting the final grant-making budget to the Global Fund.
- The PR is responsible for negotiating any indirect and overhead costs to be charged by SRs and other implementing entities based on the same principles described here, and at the same level of detail.

Cost not covered under this cost category:

- Any item presented as a management fee is ineligible for Global Fund funding.³³
- Duplicate costs and/or double counting of costs under direct, indirect cost recovery and/or shared costs.

Key documents required:

- The implementer's organizational indirect cost sharing and recovery policy.
- The Principal Recipient will provide, upon request from the Global Fund, the required documentation to support the budget for Sub-recipient administrative costs during grant negotiation or, if the Sub-recipient has not yet been selected at the time of signing the grant agreement, no later than when the Principal Recipient signs the Sub-recipient agreement.

1.10 Living support to client/target population

22. The Global Fund may allocate funding to provide living support to target populations and to support income-generating activities. This may include monetary or in-kind support given to target populations enabling them to access program services:

Living support to client/target population (LSCTP)	
Cost Input	Description
12.1: Support to orphans and other vulnerable children (school fees, uniforms, etc.)	This cost input covers the cost of school fees, uniforms for orphans, other vulnerable children and assistance to foster families.
12.2: Food and care packages	This cost input includes the food and care packages and/or costs associated with supporting patient care.
12.3: Cash incentives/transfer to patients/beneficiaries/counsellors/mediators	The transport allowances to the treatment and care centers and patient incentives should be budgeted under this cost input.

³³ Except for UN agencies and multilateral organizations, where specific arrangements with the Global Fund may apply based on the respective agreement between the Global Fund and those agencies and organizations.

12.4: Micro-loans and micro-grants	This cost input covers micro-loans and micro-grants for revenue-generating activities, to the target population.
12.5: Other LSCTP costs	This is residual cost input that covers all other LSCTP costs that do not fall into the specified cost inputs and agreed with the Global Fund Country Team.

23. The following are key requirements and guidance for budgeting LSCTP in the Global Fund grants:

Living support to client/target population (LSCTP)
Key requirements:
<ul style="list-style-type: none"> • Effective and verifiable control systems, procedures and processes should be managed by implementers relating to the following: <ul style="list-style-type: none"> ○ Identification of the Program clients and beneficiaries. ○ Fair distribution of benefits within the selected group of clients. ○ Ensuring that support reaches its intended beneficiaries. ○ Control over storage and distribution. ○ Verification, supervision and accounting of the relevant monetary or in-kind support activities. • Any scheme involving support to households should be costed at an amount which is appropriate according to the local market practice in the relevant country. The scheme should also include a sustainability plan addressing long-term planning issues. The budget must be based on clear and reasonable assumptions for the number of target beneficiaries and the specifications of the living support package, which guide quantities and unit costs. All budget assumptions should be consistent with the approved funding request and based on: <ul style="list-style-type: none"> ○ Latest results available and expected trends. ○ Assumptions concerning the target population. ○ Relevant national or international guidelines and/or best practices. In the absence of such guidelines, guidance from technical partners and/or specialized institutions (microcredit/microfinance institutions) should be requested. • These should be detailed and costed based on national practice. Where possible the dietary requirements as determined by UNFPA should be used, unless there is another benchmark dietary index that can be used. The quality and specifications of products/supplies listed should correspond to Program needs, targets, relevant national and international policies and/or best practices. Applicable regulations and laws should be considered and complied with during planning and budgeting (e.g., licenses for microfinance program, food safety certifications). • In general, the use of vouchers and cash transfers instead of actual food packages distribution or other in-kind contributions should only be implemented where effective control mechanisms exist. Control mechanisms should be designed to ensure that only the target population receive support and minimize subsequent distribution and on-selling activities. • If vouchers or cash are used, implementers should demonstrate that the risks will be managed and mitigated by using effective control and monitoring systems and, where necessary, by partnering with experienced organizations. Any such instruments should be implemented in line with national priorities and policies and their use should be backed up by a cost-benefit analysis (lowest cost with related manageable risks). Mobile money is now becoming widely used and should be considered as a method of payment (please refer to Appendix 7 - Cashless Payment Modality for further details). • Any schemes involving the payment of cash incentives using Global Fund Grant Funds to patients, beneficiaries, counselors and mediators should involve justified and reasonable unit

costs as determined by the Global Fund and considering the country context, and for example, time required per day, expected results and transportation costs. The payment of these cash incentives should not be in addition to any other incentive payments funded by Global Fund grants. The cash incentive should be paid directly to the patient or beneficiary in the most efficient way while mitigating risks of mismanagement or inappropriate payments. The amount of such cash incentives should be based on justified reasonable rates as determined by the Global Fund (example: the cost of a return trip on local public transport). Wherever possible and cost-effective, the payment for services should be made directly to the supplier (e.g., purchase of public transport tickets, hospital fees, purchase of bulk supplies). It is recommended to undertake a prior risk assessment on introducing or continuing cash incentives and provide for evaluation of impact as part of implementation.

- Micro-loans and micro-grants³⁴ can only be provided to the targeted population (individual or group) on sole discretion of the Global Fund, provided that:
- The PR follows applicable laws and regulations including without limitation, obtaining, and maintaining applicable licenses and authorizations to issue micro-loans and micro-grants.
- The micro-loans and micro-grants must be designed with clarity of beneficiaries targeted (and who do not have access to traditional micro-financing), transparent and equitable beneficiary selection conditions and specify whether these are conditional or unconditional awards linked to Global Fund grant objectives. The micro-loans and micro grant must be refunded or repaid to the grant during before the end of the related Implementation Period.
- The micro-loans and micro-grants demonstrate good governance principles and adequate financial management systems including defined principles for administration of funds, sustainability of the fund, record keeping and audit and guidance for recovery in case of default.

Cost not covered under this cost category:

- Costs paid to ineligible people (not included in the target population).
- Insufficient programmatic justification provided for payment of the cost.
- Incentives paid to community health workers are not classified under “living support” costs, these should be budgeted under cost input 13.5.

Key documents required:

- Implementers should ensure that there is a strategy underpinning the basis of the LSTCP support.

1.11 Payment for results

24. The forthcoming OPN on Payment for Results and other results-based funding modalities (RBF OPN) sets out the Global Fund’s operational policies and procedures on PfR using Grant Funds. This section provides specific guidance on cost inputs and related finance requirements. This section, including some definitions and terminology shall be updated based on the final RBF OPN.

Payment for Result (PfR)	
Cost Input	Description
13.1: Results-based Financing (RBF)	Results Based Financing (RBF) is a form of financing in which payments are contingent on the verification of predetermined results (these can be at impact, outcome, coverage, or output/milestones level). It focuses on national systems, value for money and impact, rather than on input management. It allows for the flexible use of Grant Funds within pre-agreed parameters.

³⁴ The threshold to be determined by the Global Fund based on the context maximum up to US\$500 or equivalent per individual or US\$5,000 or equivalent per group.

	Results Based Financing is to be considered where it can result in increased effectiveness of the Program and ultimately maximize impact of the investment towards national health outcomes or specific Program area health outcomes.
13.2: Activity-based contracts, community-based organizations, and other service provider	Activity Based Contracts are contracting arrangements where Suppliers or Sub-recipients agree to deliver specific output(s) within an agreed time and price, with less focus on processes or inputs ³⁵ to be deployed to achieve the desired output.
13.3: Incentives for Principal Recipient and Sub-Recipient staff members	In exceptional circumstances, the Global Fund may approve the payment of incentives (performance or task-based incentive through simplified and transparent performance management processes) to the implementer or public sector staff involved in implementing Global Fund-supported programs, through a service-based contract payment. Performance or task-based incentive must be linked with the achievement of specific results, output and milestones whereas in the case of fixed payments ³⁶ to implementer including community and facility-based staff, these payments should be budgeted under cost category 1 “Human Resources”.
13.5: Incentives- community-based, incl. Community Health Workers and outreach workers	
13.6: Incentives – facility-based, including medical staff and other service providers	

25. The following are key requirements and guidance for budgeting PFR in the Global Fund grants:³⁷

Payment for Results (PFR)
Key requirements
<p>Results- based Financing: The following are the key finance requirements:</p> <ul style="list-style-type: none"> • Approach and methodology: Implementation document(s) must be in place to evidence the setting and ambitiousness of programmatic targets, disbursement or payment methodology linked to achievement of programmatic results, fund flow, results verification process, audit and/or other assurance arrangements. • Costing of programmatic targets: Activities, objectives or interventions budgeted under the cost input “13.1 – Results -based Financing” should: <ul style="list-style-type: none"> • Align with and contribute to a National Strategic Plan and do not duplicate activities which are being funded through other sources such as government and/or donor funding; • Represent catalytic or similar interventions that would sufficiently incentivize implementers to reach the targets agreed and supported by a robust costing approach or alternative incremental targets defined by comparison of funding over different cycles; and • Every module with intervention(s) budgeted with PFR cost grouping must have corresponding indicator(s) in the Performance Framework. If a grant has a mix of PFR and input-based portions, there must be a clear separation in the investments (no input-based interventions comingled with PFR intervention, indicator or target). • Fiduciary assessment: Fiduciary assessment of systems (e.g. Public Financial Management assessment by the Global Fund, PEFA or other partner capacity assessments) has been recently conducted which confirms the capacity of the

³⁵ Principal Recipients are still expected to comply with the terms of the Global Fund’s applicable guidelines and policies, notably Grant Regulations, including where such terms require passing on certain obligations to suppliers.

³⁶ “Incentives” paid to community health workers that are not task or performance based. Community health workers as a norm are not employed by the national health services and are part of the volunteer community-based support, so as such payments should not be categorized as incentives, but rather fall under respective cost input salaries of cost category 1 “Human Resources”.

³⁷ Please refer to RBF OPN (link forthcoming).

implementer to provide sound financial management of funds in a payment for results modality including, robust procurement, fund flow, financial reporting and internal controls to provide assurance over efficient and effective spending of funds.

- **Verification of results:** The independent verification of results approach is defined and the entity to conduct the verifications has been identified and has sufficient experience, expertise and the necessary tool kits to conduct the verification.
- **External Assurance:** Supreme Audit Institution or institutional auditor (including independent and external auditors) has the capacity to conduct performance-based audits or systems audits. In case capacity is sub-optimal, mitigating or capacity building efforts are in place to provide adequate assurance over the efficient and effective use of funds towards achieving agreed targets.

Activity-based Contracts (ABC): To improve efficiency, effectiveness and economies of scale for the grant, the implementers (mainly PRs and SRs) may use ABCs for the implementation of parts of a Program or for a specific activity (milestones/outputs indicators), subject to the following conditions:

- (i) ABC value or amount shall not exceed USD 100,000 annually per activity-based contractor.
- (ii) ABC contractors shall meet the minimum capacity requirements outlined in Appendix 9.
- (iii) The ABC modality is approved in writing by the [Global Fund](#), prior to the start of the contracting process.

Where the total amount of ABCs by all implementers under a given Grant Confirmation to all activity-based contractors exceeds the lesser of either US\$3 million or of 20% of the Grant Funds for a given Implementation Period, the Global Fund's approval and associated terms and conditions will be documented in the relevant Grant Agreement either at the time of Grant Confirmation signature, or through an implementation letter. Under the ABC approach, Principal Recipients must ensure that activity-based contractors are accountable to the Principal Recipient.

To mitigate the risk of [fraud and corruption](#) and avoid detailed administrative processes and documentation requirements, the Global Fund requires the implementer to include appropriate inputs and output based budgets, including the use of appropriate PfR (i.e. activity based contract) and digital payment (refer to Appendix 7) particularly for trainings, peer education, community based organization support, and living support to target populations (i.e. orphans and vulnerable children support, cash incentive to patients/counsellors/mediators etc.).

Incentive Payments:

- To avoid creating distortion within different public health programs and to support the sustainability of the human resource strategy in the long-term, Global Fund Grant Funds and resources should not be used for the payment of "salary top ups"³⁸. However, in exceptional circumstances the Global Fund may allow payment of incentives (refer to cost inputs 13.3 to 13.6 above). Such incentives must be task- or performance-based through a simplified and transparent performance management process, showing clear results.
- Task-based incentives are incentives paid to program management staff, in circumstances where their current duties do not include the scope of managing donor projects and additional donor requirements. (e.g., an incentive paid to a district level accountant for additional reporting forms submitted on time). Performance-based incentives are incentives paid to anyone whose efforts could be linked to performance targets expected to be achieved by the Global Fund-supported Program.
- Performance or task-based incentives must be appropriately justified and are subject to approval by the [Global Fund](#). To qualify as an incentive, payment must be conditioned on adequately documented performance/completion of an activity. To ensure sufficient

³⁸ Salary top-ups refer to official cash payments or transfers (that are not task or performance-based) that a civil servant/government official receives above what other staff in the same grade and pay scale receive.

outcome quality and substance, incentive payments must be linked to specifically intended results (e.g., demonstrated treatment adherence attributed to achieved patient visit targets) rather than mere completion of prescribed tasks (e.g., confirmed number of patient visits).

Cost not covered under this cost category:

- Costs not aligned to a National Strategy Plan or have as its basis a rationale for the payment.
- Both incentive budget and any changes thereof not specifically approved in writing by the [Global Fund](#).

Key documents required:

- Organizational incentive policies duly harmonized with Government policies and other donors.

2. Appendices

Appendix 1 – Indirect Cost Recovery (ICR) and Shared Cost

Indirect Cost Recovery (ICR) for International Non-Government Organizations (INGO)

1. The percentage-based charge is designed to contribute to costs incurred by the Regional Offices or Headquarters of an INGO, and therefore costs related to the Regional Office or Headquarters should not be budgeted as direct costs in the grant. In certain instances, based on the operational structure of the INGO, the Global Fund, at its discretion may approve charging limited costs incurred at the Regional Office or Headquarters level as direct costs.
2. Eligible implementers, whose legal structure, reporting line and historical relationships demonstrate strong headquarters involvement in their operations, may request financing for the support they receive from their headquarters or regional office to be included in the Global Fund grant budget.
3. The maximum rates which an eligible implementer may charge to support ICR are set out in the Table 1 below. However, where an organization is currently charging rates on Global Fund grants which are below or above the maximum rates established in the table, but in accordance with the approved budgets, these rates may be maintained until the end of the current Implementation Period. Any requests for support costs funding via ICR for a new Implementation Period or grant extension must be in accordance with this policy.
4. Accepting support costs commits the headquarters organization to providing timely support to the country office for the effective and efficient implementation of grant activities and reporting. It is also expected that should weaknesses be identified in the management and administration of the grant by the country office, the headquarters services or entity (in the case of local NGO) would implement appropriate and/or recommended actions in a timely manner.

Table 1: Maximum ICR percentage applicable to International NGOs (INGO):

Entity	Type of Cost	Maximum Percentage Rates	Indicative guidance on the application of rates in the budget
INGO Principal Recipient (PR)	Health Products ³⁹	3%	<ul style="list-style-type: none"> Where a procurement agent or PPM is used, the maximum rate that can be applied is 1%. If the SR is procuring directly, the PR may only charge a maximum of 1% on the value of the procurement in addition to a maximum of 3% which may be charged by an INGO SR and 2% by NGO SR (or shared cost charged by SRs as appropriate).
	All other Direct costs incurred by the PR	7%	
	Funds managed by Sub Recipients	5%	<ul style="list-style-type: none"> The PR may charge up to a maximum of 5% on SR direct costs. If the SR is also an INGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR). If the SR is NGO claiming ICR, the SR may charge up to a maximum of 3% on their own direct costs, and the PR may charge a maximum of 4% on the SR direct costs (the calculation should exclude the SR ICR).
INGO Sub Recipient	Health Products ¹	3%	<ul style="list-style-type: none"> Where a procurement agent is contracted by the SR, the maximum rate that can be applied is 1%. If the PR is managing the procurement, the SR is not entitled to charge any overheads on these amounts.
	All other Direct costs incurred by the SR	5%	
Additional Safeguard Policy applies to grant portfolio or	<p>All Rates remain the same with the following exceptions:</p> <ul style="list-style-type: none"> The PR may charge up to a maximum of 7% on SR direct costs. If the SR is also an INGO claiming ICR, the SR may charge up to a maximum of 7% on their own direct costs, and the PR may charge a 		

³⁹ All costs included in the cost categories Health Products-Pharmaceutical Products (Category 4), Health Products - Non-Pharmaceuticals (Category 5), Health Products – Equipment (Category 6), and cost input “7.2”.

specific disease component	<p>maximum of 3% on the SR direct costs (the calculation should exclude the SR ICR).</p> <ul style="list-style-type: none"> • If the SR is an NGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 5% on the SR direct costs (the calculation should exclude the SR ICR). • Where an INGO is an SR of a UN agency, they may charge up to 7% on their own direct costs. • If a fiscal agent is contracted, no ICR should be paid to the PR.
Direct Costs from Headquarters	<ul style="list-style-type: none"> • The percentage-based fee is designed to also contribute to costs incurred by the Regional or Headquarters of an INGO and therefore no direct costs related to the Regional Office or Headquarters should be budgeted in the grant, unless approved as part of the Framework agreement signed with the Global Fund. • However, in cases where the PR requests to directly charge a limited number of costs incurred at Headquarters level or where the Global Fund has requested the Headquarters to provide a specific service to the Country (e.g. more than one internal audit per year from the Headquarters), the PR should provide sufficient justification as to why the costs are not part of the normal Regional or Headquarters support to the grant. Requests for inclusion of these costs should normally be addressed during the grant-making process and should include a detailed description of the activity, a detailed budget for the activity, and a confirmation that none of the related costs are included in the indirect costs of the Headquarters and the services specified.
Calculation Note:	<ul style="list-style-type: none"> • The PR charge on funds managed by SRs should be exclusive of the ICR or shared cost charges applied by the SR.

Table 2: Maximum ICR percentage applicable to Local NGOs (NGO):

Entity	Type of Cost	Maximum Percentage Rates	Indicative guidance on the application of rates in the budget
NGO Principal Recipient (PR)	Health Products ⁴⁰	2%	<ul style="list-style-type: none"> • Where a procurement agent or PPM is used, the maximum rate that can be applied is 1%. • If the SR is procuring directly, the PR may only charge a maximum of 1% on the value of the procurement in addition to a maximum of 3% which may be charged by an INGO SR and 2% by an NGO SR (or shared cost charged as appropriate).
	All other Direct costs incurred by the PR	5%	

⁴⁰ All costs included in the cost categories Health Products-Pharmaceutical Products (category 4), Health Products - Non-Pharmaceuticals (category 5), Health Products – Equipment (Category 6), and cost input “7.2”.

	Funds managed by Sub Recipients	3%	<ul style="list-style-type: none"> The PR may charge up to a maximum of 3% on SR direct costs. If the SR is an INGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR). If the SR is NGO claiming ICR, the SR may charge up to a maximum of 3% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR).
NGO Sub Recipient	Health Products ³	2%	<ul style="list-style-type: none"> Where a procurement agent is contracted by the SR, the maximum rate that can be applied is 1%. If the PR is managing the procurement, the SR is not entitled to charge any overheads on these amounts.
	All other Direct costs incurred by the SR	3%	
Additional Safeguard Policy applies to grant portfolio or specific disease component	<p>All Rates remain the same with the following exceptions:</p> <ul style="list-style-type: none"> The PR may charge up to a maximum of 5% on SR direct costs. If the SR is an INGO claiming ICR, the SR may charge up to a maximum of 7% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR). If the SR is an NGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR). Where an eligible NGO is an SR of a UN agency, they may charge up to 5% on their own direct costs. If a fiscal agent is contracted, no ICR should be paid to the PR. 		
Calculation Note:	<ul style="list-style-type: none"> The PR charge on funds managed by SRs should be exclusive of the percentage-based charges applied by the SR. 		

Shared Cost

5. The principle of Shared Costs should be applied considering the trade-off between efficiency, level of effort and related risk(s) in the implementation of Global Fund-supported Programs to improve health outcomes and maximize impact. The following are two available approaches for budgeting and charging Shared Costs:

Description	Costing Based Approach	Percentage of Grant Fund Amount Approach
Pre-requisites	<ul style="list-style-type: none"> Low capacity and high risk; and/ or Economically feasible to aggregate, charge and report on Shared Cost. 	<ul style="list-style-type: none"> High capacity and low risk; and/or Cost vs benefits of aggregating, charging, and reporting on Shared Cost.
	Adequate mechanism is in place to systematically trace and appropriately charge/allocate shared/common cost.	
	Appropriate allocation method/allocation key is clearly defined and included in the budget assumptions.	
Pros	<ul style="list-style-type: none"> No maximum limits apply, implementers can charge up to any amount for shared/common activities that are reasonable and necessary. 	<ul style="list-style-type: none"> Implementers are not required to calculate detailed cost pool and cost drivers. Instead, they can charge the appropriate share to the Global Fund grant. Simple verification – check the completeness and accuracy of the cost charged to the Global Fund by applying an agreed percentage to the total common or Shared Cost.
Cons	<ul style="list-style-type: none"> If the financial management information systems (FMIS) do not support the systematic charge and allocation of shared costs, implementers must maintain a memorandum that accounts for the appropriate charge and allocation. Detailed verification by LFA based on their risk-based approach. 	<ul style="list-style-type: none"> The percentage of the grant amount may not be sufficient to cover the required common/Shared Cost.
Develop Allocation Methodology for common/ Shared Cost	Step 1: Identify and list the value-adding activities along with related estimated cost.	
	Step 2: Identify cost pool (s) and define cost driver (s)/allocation basis.	Step 2: Define appropriate “percentage of allocation” (percentage of common/shared cost).
	Step 3: Allocate pool cost based on appropriate drivers.	Step 3: Limits apply per grant, per Implementation Period.

Other considerations	<ul style="list-style-type: none"> • Based on the implementer’s appropriate allocation policy (including the allocation methodology) for common/Shared Cost (if there is no formal policy in place, appropriate allocation basis/key should be agreed and included as part of budget assumptions). • Budget considers historical costs and “Funding Pipeline” to cover Implementation Period. • Maximum budget allocated may not be increased if actual expenditure is higher or another funding sources is lost.
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6. For percentage of grant amount allocation, the following conditions apply. These percentages are for the whole grant, therefore PR is required to discuss, agree and allocate across relevant Sub-recipients (if required) accordingly:

Grant Funds Amount (US\$) – Excluding PPM	Maximum allowable %	Maximum Amount (US\$)
Per Grant per Implementation Period		
< 1 million	10 %	0.1 million
1 million to < 10 million	8%	0.8 million
10 million to < 30 million	6%	1.8 million
30 million to < 50 million	5%	2.5 million
50 million to < 100 million	4%	4 million
100 million to < 200 million	2.5%	4 million

7. To select the appropriate method for the costing-based allocation (cost allocation key), implementers should consider the following steps:

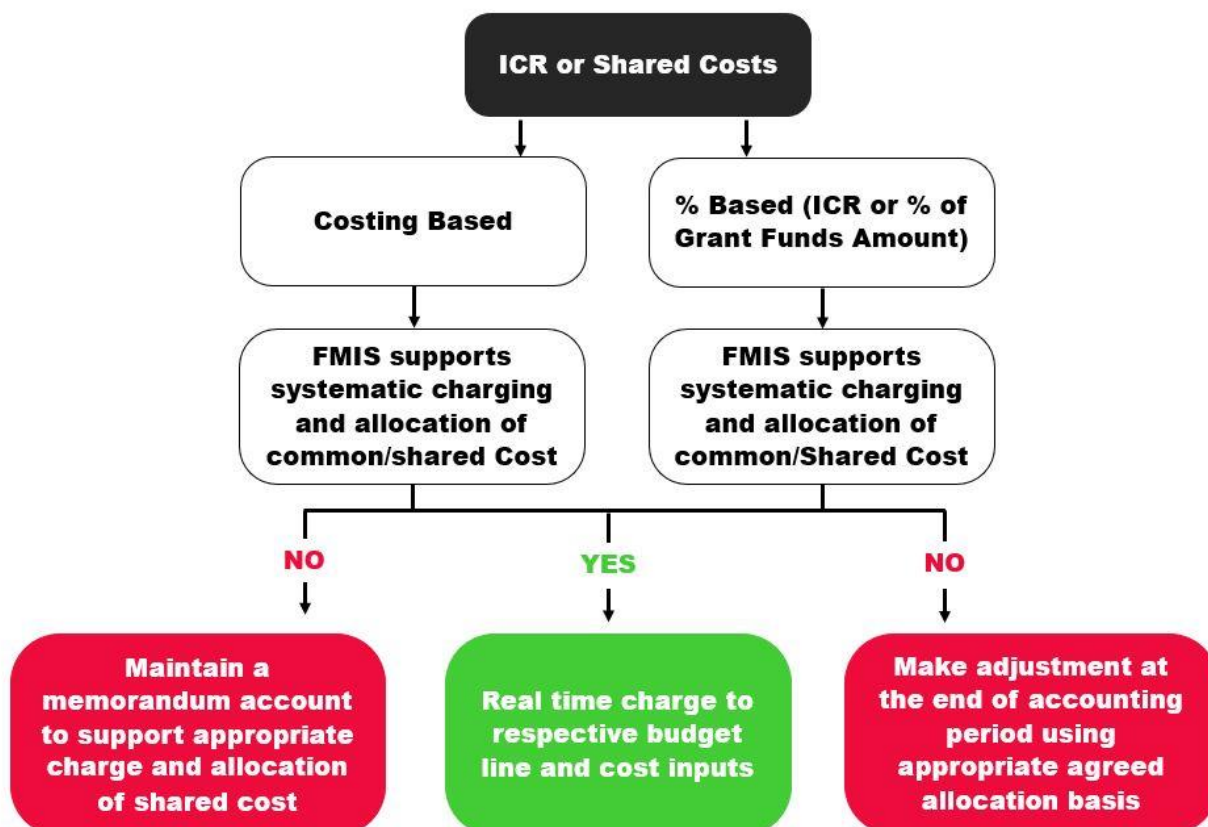
- **Identify value-adding activities:** the implementer should identify all shared activities that are necessary, reasonable and contribute directly or indirectly to the achievement of Program objectives and are not directly charged to any other sources of funding or any other grant. For example, office rent, electricity, utilities, mail, telephone, internet, insurance, fuel, security, cleaning, and others.
- **Identify cost pool:** Group/pool all the related activities in a specific cost pool. For example, the above-mentioned activities should be grouped into office related costs.
- **Identify the cost drivers (allocation basis):** A cost driver is the basis used to assign the cost pool to a specific budget line or cost input. The implementer should define relevant and appropriate cost driver for each cost pool. For example, the grant amount or number of staff can be used to allocate office related costs.
- **Allocate the pool cost based on cost drivers:** the cost of the pool should be allocated based on the relevant cost drivers. Example of cost pools and cost drivers:

Potential Cost pool	Cost Drivers	Allocation
Salaries – Program Management (shared services including finance, administration, procurement, IT, internal audit and monitoring & evaluation)	<ul style="list-style-type: none"> • Number of staff; or • Number of hours; or • Grant Funds amount excluding PPM. 	<ul style="list-style-type: none"> ▪ Total estimated cost of service/total estimated budget of entity multiplied by Grant Funds amount; or ▪ Total estimated cost of service divided by total number of hours multiplied by number of hours worked on specific grant.
Supervision, Survey and Data Collection	<ul style="list-style-type: none"> • Number of staff; or • Number of hours; or • Grant Funds amount. 	<ul style="list-style-type: none"> ▪ Total estimated cost (supervision, survey and data collection) divided by the total estimated budget of entity multiplied by Grant Funds amount; or ▪ Total estimated cost divided by total number of staff multiplied by number of staff for specific grant.
Training, Meeting and Advocacy	<ul style="list-style-type: none"> • Number of participants; or • Grant Funds amount. 	<ul style="list-style-type: none"> ▪ Total estimated cost (training, meeting and advocacy) divided by total estimated budget multiplied by Grant Funds amount; or ▪ Total estimated cost divided by total number of participants multiplied by Number of participants targeted for specific grant.
Procurement Agent and Handling Cost	<ul style="list-style-type: none"> • Cost of procurement (health products). 	<ul style="list-style-type: none"> ▪ Total estimated cost (procurement agent and handling) divided by total procurement budget of entity multiplied by the procurement budget for specific grant.
Warehouse and storage cost	<ul style="list-style-type: none"> • Space or areas; or • Estimated cost of procurement (health products). 	<ul style="list-style-type: none"> ▪ Total estimated cost (warehouse and storage) divided by total procurement budget of entity multiplied by procurement budget for specific grant.
Quality Assurance and Quality Control Costs	<ul style="list-style-type: none"> • Estimated cost of procurement (health products). 	<ul style="list-style-type: none"> ▪ Total estimated cost (quality assurance and control) divided by total procurement budget of entity multiplied by procurement budget for specific grant.
Vehicles	<ul style="list-style-type: none"> • Number of staff; or • Grant amount. 	<ul style="list-style-type: none"> ▪ Total estimated cost of vehicles divided by total number of entity's staff multiplied by Number of staff working on specific grant.
Maintenance and Service Cost for Equipments – Non Health or Health	<ul style="list-style-type: none"> • Estimated cost of Health/Non Health Equipment. 	<ul style="list-style-type: none"> ▪ Total estimated cost of maintenance and service for equipments divided by total estimated entity's equipments cost multiplied by total estimated equipment cost under specific grant.

ICR and Shared Costs Execution

8. The disbursement of funding for ICR and Shared Cost by the Global Fund will follow the Global Fund's standard annual funding and disbursement procedures and must be charged to the Grant in proportion to the actual expenditures (including Sub-recipient actual expenditures) incurred. Any ICR or Shared Cost charged on accrued expenses and/or budget will be considered as non-compliant expenditures. The Principal Recipients ensure that:

- Adequate systems or mechanism in place to appropriately charge or allocate Shared Costs in accordance with the approach or methodology agreed at budgeting stage.
- Charges/actual allocation must be based on the relevant actual expenditure (reasonable, allocable, and verifiable) incurred, (not based on the budgeted amount) based on the agreed approach and methodology.
- In a case where the implementer does not have a financial system in place for systematic charging, allocating and reporting on Shared Cost, the Global Fund Country Team (in consultations with the Finance Team) should discuss and agree with the implementer on measures to improve or enhance its financial management information systems.



ICR and Shared Cost – Reporting and Assurance

9. All funds generated and costs charged will form part of the implementer’s Annual Financial Statements⁴¹ which will be subject to external audit. If this is part of the Statutory Financial Statements, a copy of the audit report for the implementer may be requested by the Global Fund. The audit report and auditor opinion should be submitted in accordance with the [Guidelines for Annual Audit](#).

- The ICR or Shared Costs and related allocation basis should be reported as part of the financial reports in accordance with the Global Fund Financial Reporting Framework:
- Reported expenditure in financial reports must be based on the related actual expenditure charged and allocated in accordance with the agreed approach and methodology.
- Actual Shared Costs charges must be reasonable, allocable, and verifiable by assurance providers (i.e., LFA, External Auditors, OIG, etc.).

Following is the guidance relating to assurance on Shared Cost:

	Cost Based	ICR or Percentage of Grant Funds Amount
LFA	<ul style="list-style-type: none"> • Review the ICR or Shared Costs approach, that the PR selected and agreed with the Global Fund and provide feedback on the implementation status of selected approach. • Review reasonability of ICR or shared costs budget and related assumptions based on historical budget, PRs’ ICR or shared cost policy and allocation methodology. • Verification of ICR or Shared Costs Budget vs. Actual Expenditures as required - the allocation mechanism, the accuracy, completeness and reasonableness of actual charges made to the grant. 	
	<ul style="list-style-type: none"> • Using risk-based approach, verify each pooled cost and ensure the cost is allocated based on the agreed cost drivers. 	<ul style="list-style-type: none"> • Check the completeness and accuracy of cost charged to the Global Fund based on the agreed % of Shared Cost. LFA may decide to verify the individual cost included in shared cost on sample basis but is not required to verify all the cost included in the Shared Cost.
External Auditor	<ul style="list-style-type: none"> • Review and report on the ICR and Shared Costs especially on the allocation mechanism, the accuracy, completeness and reasonableness of actual charges made to the grant. 	

⁴¹ The Annual Financial Statement referred to here for purposes of Shared Costs/ICR may be an integral annex in the Global Fund grant external audit or the Statutory Financial Statements of the implementer.

Appendix 2 – Focused Portfolios Management Models

1. The management of Focused portfolios is differentiated into four models to enable focus on strategic actions and simplified processes adapted to portfolio context. The process for selecting the fit-for-purpose model for each Focused portfolio is dialogue-based and guided by a set of criteria (including allocation size, delivery vs. input focus, in-country capacities, political context, etc.). The model selection is approved by the Global Fund and will be communicated to the applicant (effective from the 7th Replenishment). This Appendix describes the differentiated approach for each model:

Model 1 – Aligned	Model 2 – Targeted	Model 3 – Light	Model 4 – Legacy
Description/Definitions			
Portfolios with smaller allocations focused on a few specific programmatic objectives at national level. This implies reduced visibility into the details of grant implementation given the removal of specific processes and requirements. ⁴²	Portfolios focused on managing multiple programmatic objectives with payments linked to performance indicators. This implies reduced visibility into the details of costing inputs, relying on robust costing of national strategic plans and outcome-based budgeting. Grant implementation is done in line with the current management of Payment for Results grants.	Portfolios focused on oversight of progress in implementation using 'lighter' process for input-based budgeting with activities and cost assumptions managed externally to the Global Fund budgeting template.	Portfolios requiring intensive oversight using input-based budgeting with cost assumptions managed within the Global Fund budgeting template.
1. Funding Request			
1.1 Detailed Budget template			
Not Required: Annual and total grant budget amount to be defined in the narrative section of the Funding Request.	Required at: <ul style="list-style-type: none"> • Module/Interventions • Cost grouping⁴³ • Implementer level 	Required at: <ul style="list-style-type: none"> • Module/Interventions • Cost grouping • Implementer level 	Required at: <ul style="list-style-type: none"> • Module/Interventions • Cost grouping • Implementer level
1.2 Value for money assessment:			
Based on the costing of the National Strategic Plan (NSP) ⁴⁴ or equivalent document to evidence robust costing assumptions, particularly on the principles of efficiency and economy.			

⁴² e.g., requirement to submit workplan / detailed budget assumptions, frequent results assessment, multiple disbursement decisions, reporting of tax expenditure.

⁴³ Designated as Payment for Results and Other Cost Groups for mixed Budget: This model encourages budgeting principles based on payment for results indicators and disbursement levels defined by achievement of verified programmatic results. However, a mixed budget approach may be necessary in a transition phase where input-based elements of the budget such as procurement of health products may remain under a pooled procurement mechanism and should be assigned to the relevant cost grouping such as Health Products procurement (4.0).

⁴⁴ Refer to national documents that follow country priorities and cycles.

Model 1 – Aligned	Model 2 – Targeted	Model 3 – Light	Model 4 – Legacy
Output-based budgeting modality: where detailed cost assumptions are replaced by robust costing of NSP.	Output-based budgeting modality where detailed cost assumptions are replaced by robust costing of NSP. Supplemental documentation and Funding Landscape Tables may guide financial justification for payments linked to performance indicators.	Input-based budgeting modality where detailed cost assumptions are not required in the detailed budget template and will be maintained offline by implementers to apply during implementation without formal tracking by the Global Fund .	Input-based budgeting modality where detailed cost assumptions are not required at Funding Request stage.
1.3 Budget review			
The Global Fund may review the Funding Request for consistency of the requested amount with the allocation award.			
1.4 Fiduciary Assessment/Capacity Assessment			
Fiduciary Assessment conducted by the Global Fund Country Teams leveraging partners (e.g., PFM assessment, PEFA or other partner capacity assessments) or LFA assurance (for NGO implementers) to confirm the capacity of the implementer to provide sound financial management controls and oversight for Grant Funds.		<ul style="list-style-type: none"> Capacity Assessment applicable per existing policy for Focused portfolios (see Operational Procedures - Make, Approve and Sign Grants). 	
2. Grant-making (specific document adjustments)			
2.1 Detailed Budget (DB) Template			
Not required. Annual and total grant budget amount to be defined in the grant agreement.	Applicable as per Funding Request stage defined above.	Input-based budgeting modality where detailed cost assumptions are required at grant-making stage with cost assumptions managed within the DB template.	
2.2 Value for Money Assessment			
Applicable as per Funding Request stage defined above.			
2.3 Fiduciary Assessment/Capacity Assessment			
Applicable as per Funding Request stage defined above.			
2.3 Budget review and approval			
Based on offline summary specified in the Global Fund Grant Operating system and grant agreement.	Based on summary budget generated from detailed budget template.	Based on detailed budget template with cost assumptions managed within the detailed budget template.	

Model 1 – Aligned	Model 2 – Targeted	Model 3 – Light	Model 4 – Legacy
2.4 Budgeting for audit cost			
Input based model to apply at cost group level under technical assistance (3.0), if applicable.			
3. GLC Process – Budget Revisions			
3.1 Budget revisions			
Not Applicable		As per Section 3.5.2 above	
3.2 Reinvestment of Foreign Exchange gains:			
Not Applicable		As per Section 3.4 above	

Appendix 3 – Training Plan

1. The objective of the training plan is to translate the training needs referred to in the Funding Request and/or the training needs assessment into a detailed budget that:
 - Supports the budgeted costs following the general principles outlined in these guidelines;
 - Demonstrates [VfM](#), ensures proper planning; and
 - Prevents any potential mismanagement of the funds intended for training purposes during Grant implementation.
2. A training plan must include three sections: a) a table of general information on the grant and training plan; b) a narrative description of the training framework; and c) a list of the training activities/schedules for the full Implementation Period of the grant.

Guidelines	
Section-1: General Information	
Grant Name:	
Principal Recipient:	
Implementation Period start and end date:	
Period covered by this training plan with start and end date:	
Does the training plan include any training program that is co-funded? If yes, please briefly indicate the training programs and the major co-founders.	
Total budget of the training plan:	
Proportion of training budget against the approved budget:	
Section-2: Training framework	
<ul style="list-style-type: none"> • In this section, please provide a narrative description of all training plans funded under the grant, covering all training programs in the Performance Framework and any training programs in the detailed budget including those that are closely linked to successful delivery of a people-reached indicator. Answers in this section should briefly describe the training framework under the grant, rather than providing detailed information for each training program individually. • Payments: Training plans should generally incorporate the measures put in place by the Principal Recipient for the payment of training participants and other training costs. In particular: <ul style="list-style-type: none"> ○ Implementers should make every effort to execute all payments to participants (per diem and other costs) by Cashless Payment Modality or bank check or postal transfer; ○ Cash payments should be limited as much as possible and, if unavoidable, should follow strict procedures to ensure proper reconciliation and validation of payments to participants; and 	

- Suppliers (i.e., room rental, catering services) should be paid either by crossed⁴⁵ check or bank transfer unless there is proper justification that cash payment is the most appropriate and the only available option (e.g., non-availability of banking facilities in certain parts of the country).
- Implementation, monitoring and reporting on training plan: Principal Recipients should develop a coherent and verifiable implementation arrangement for trainings to be conducted at all levels, and comply with the following requirements:
 - Ensure that the following documents are available prior to each training event:
 - Well-structured training agenda or curriculum;
 - High quality training materials; and
 - Tentative list of participants, simple profiles of participants that confirm their eligibility, and demonstrate consistency with the training plan, and per diem amounts (including reimbursable expenses).
 - Select the facilitators and venue providers through a competitive process, in compliance with the relevant grant agreement.
 - Put in place mechanisms to ensure the verification of participants' attendance during training events.
 - After the training is conducted, the Principal Recipient should prepare⁴⁶ and retain (in accordance with the relevant grant agreement) the attendance list of all participants and their contact details for verification by the assurance providers of the Global Fund.
 - The pertinence and structure of the training delivered should be evaluated by participants and the training evaluation report well documented by the Principal Recipient.
- Verification and spot checks: verification of training activities may be part of the Local Fund Agent's (or any Global Fund assurance provider) verification of implementation. The scope of the Local Fund Agent's verification will be determined by the Country Team using a risk-based approach. As part of their review, the Local Fund Agent should clearly indicate any irregularities and areas of further improvement. The Global Fund Country Team should review the methodology, analysis and recommendations of the Local Fund Agent and should follow up on issues related to the implementation of the training plan.
- The PR, the CCM, and the Global Fund's assurance providers should evaluate on a periodic basis the impact of the training activities funded under the Program against set training objectives and outcomes (e.g., improved Program and financial management, improved quality of services provided at health service centres and community level).

2.1 Training design: Please answer the following questions on the training design.

- How do the objectives of the training programs add value to the goals and objectives of the grants and national responses/program?
- How will trainers and trainees be selected to support the delivery of top-quality training?
- How will course outlines, training materials and tools be developed (e.g., expert group, consultant, re-use of existing materials)?
- How will pre- and post-training knowledge and skills be evaluated?
- Please describe measures to ensure that training programs are in line with applicable national guidelines, national Human Resources development plan.

⁴⁵ A check that can only be deposited directly into a bank account and cannot be immediately cashed by a bank or any other credit institution.

⁴⁶ The attendance list must be prepared at the beginning and must be signed daily by the participants.

2.2 Training logistics: Provide a narrative description of the plans for arranging the training logistics.

- How will training logistics supplier be selected?
- How will participants' travel, accommodation and per-diem distribution be organized?
- How are per diem rates calculated, and in case the implementing entity does not have its own policy on per diem rate, how do per diem rates compare to those paid by similar organizations in the country?
- How will risks associated with cash transactions be minimized and mitigated?

2.3 Post-training follow-ups: How will the assessment of the knowledge and skills of the trainees be included in the general health outcome assessment in the region/country?

Section – 3: List of training activities and schedules

- Based on and consistent with the budget, please provide a list of all training activities/schedules for the full Implementation Period of the Grant (unless a different timeframe has been agreed with the Global Fund Country Team/Fund Portfolio Manager).
- The PR should use the extracted list from the detailed budget with the budget assumption details such as: the quarter/year of the training, number of participants, number of days, per diem per participants, cost of venue, cost of supplies and materials, cost of facilitators and other costs relevant to the training.

Appendix 4 – Monitoring and Evaluation Plan

1. Implementers must demonstrate that the activities are being implemented in the most [cost-efficient way](#). As much as possible, existing resources and systems should be used. Implementers should gather information on historical costs of activities already implemented in the country for benchmarking purposes. Monitoring and evaluation costs usually include costs for: i) routine programmatic data collection and reporting; ii) program and data quality; iii) data analysis, program reviews and evaluation; and iv) civil registration and vital statistics systems.
2. **Routine Programmatic Data Collection and Reporting:** Implementers must ensure the functioning of the routine programmatic data collection and reporting system to track programmatic results achieved against targets set in the Performance Framework, and/or National Strategic Plans and Monitoring and Evaluation Plans.
3. The routine data collection and reporting activities should be consistent between the Monitoring and Evaluation Plan and the detailed budget/workplan.
4. Detailed costs for each Monitoring and Evaluation visit should be provided, including all assumptions related to transport and per diems. To avoid overlaps in funding, the Monitoring and Evaluation Plan and the detailed budget/workplan should indicate the funding contributions of the Global Fund and other sources of funding (if any) for routine data collection and reporting activities.
5. Overall Program supervision related costs should be included under the module “Program management”. If the supervision related activities are specifically for data collection, reporting and/or data validation these can be included under the intervention “Routine reporting” under the module “Health Information system and Monitoring and Evaluation”. Such Monitoring and Evaluation visits should be supported by a description of:
 - The nature and scope of these visits;
 - Planned frequency;
 - Role and function of each participant during these visits; and
 - Expected outcome of the Monitoring and Evaluation visits.
6. The findings and follow-up actions from the Monitoring and Evaluation visits should be documented through mission reports, highlighting issues encountered and actions taken. Specific steps should be taken to ensure that supervision activities related to data collection and validation are optimized and combined whenever possible to save travel costs.
7. **Program and data quality:** In order to ensure program and data quality in Global Fund supported Programs, the Principal Recipients should budget for program and data quality assessments in accordance with the [Strategic Framework for Data Use for Action and Improvement](#) which includes guidance on essential data system investments (Annex 4) when they are not planned or fully funded with existing resources. In general,

the program and data quality assessment activities budgeted in the Global Fund grant should be:

- robust, e.g., nationally representative or well-designed special study or evaluation;
 - based on the identified program and data quality risks that have been previously identified; and
 - costing should build on historical costs of implementing such activities and budgeting guidance for the survey (for example, WHO SARA and WHO Data Quality Review).
8. When budgeting for such assessments, the Principal Recipient should provide the following: scope of the assessment; type of tool or assessment process; size of the sample; and availability of co-funding.
 9. Planning and implementation of program and data quality assessments should be a country-led process with coordination across the various donors and stakeholders to avoid duplication of efforts and costs.
 10. **Data analysis, program reviews and evaluations:** To support the budget for periodically conducted program reviews, evaluations, operational research, etc., Principal Recipients should provide to the Global Fund Country Team, a justification for the need for such activities, as well as describe the expected results in the Monitoring and Evaluation Plan. These activities include i) national program reviews (mid-term and end-term reviews of the national strategies); ii) national and sub-national in-country (annual, quarterly) reviews; and iii) evaluations.
 11. Program reviews and evaluations play a vital role in systematically and objectively assessing the relevance, performance, impact and sustainability of Programs. Program reviews and evaluations should aim to:
 - Assess the extent to which the goals and objectives of the Program were achieved;
 - Assess Program quality;
 - Demonstrate accountability and transparency;
 - Assess potential for longer term sustainability; and
 - Foster continued dialogue and action for Program improvement.
 12. To ensure that evaluations and reviews are robust enough to measure progress and impact, and will continue to inform decisions, they should have as an integral component, an in-depth epidemiological and impact analysis. In case of the need to strengthen national-and sub-national capacity for analysis and data use, the Principal Recipient should include details of activities and expected results to justify the budget.
 13. In High Impact and Core countries, program reviews should be budgeted for as per the [Guidance Note on Essential Set of Data System Investments](#) if these reviews are not otherwise planned or fully funded with existing resources. For Focused countries, independent evaluations should be planned, commissioned and requested to be paid from the Global Fund grant. However, countries may wish to separately budget for program reviews, in which case any planned independent evaluations must be coordinated with the national program reviews.

14. In case the implementation of an evaluation or any survey is outsourced, the suppliers should be selected through a competitive process (see Article 5 of the [Grant Regulations](#) as applicable).
15. **Civil registration and vital statistics system:** To support the budget for establishing/strengthening and scale-up of civil registration and vital statistics, the Principal Recipient should provide justification for the needed activities. Such activities include i) establishing sample vital registration systems; ii) strengthening reporting of hospital morbidity and mortality and causes of death; iii) training of community health workers on reporting vital events; iv) analysis of trends in mortality and causes of deaths; and others.

Appendix 5 – Investments in Infrastructure – further guidelines

1. Applicants and implementers should consider the following guidance when making a request for investments in infrastructure. The proposed amount and justification for these investments should be discussed and agreed with the Global Fund Country Team.
2. **Differentiated approach:** In [middle-income countries](#), small and medium infrastructure-related activities, such as building or renovating a warehouse or an antenatal care (ANC) clinic or purchasing large-scale equipment (e.g., X-ray machines, ultrasound, etc.) may be supported only with strong justification and by providing strong justification of the lack of domestic or other donor resources. Applicants and implementers requesting investments in infrastructure are encouraged to provide evidence of co-financing for the infrastructure projects from domestic or other donor resources.
3. [Low-income countries](#) may have more flexibility to include such interventions. However, large infrastructure projects (e.g., building a medical or nursing school, or a general hospital) are normally not supported by the Global Fund. Exceptions can be made in post-conflict countries or other COEs with strong justification and Global Fund written approval. Approval for such requests will be made based on the review of other needs and of the Global Fund's overall investment portfolio in the country.
4. **National Standards and Norms:** All construction/renovation projects should strictly follow national architectural and engineering standards and norms for health facilities. In countries where relevant national standards and norms are not available, or are outdated, applicants and implementers must include in the Funding Request or other subsequent request the necessary technical support to either develop new national standards or to use the standards and norms of other (relevant) countries as a benchmark. In all cases, infrastructural plans must be approved by national authorities (according to the national regulations) before the work is commenced.
5. **Special Considerations: Medical laboratories:** The construction or renovation of medical laboratory facilities requires special consideration since the function of the medical laboratory is to handle hazardous substances, including chemicals and infectious agents. Attention to the proper planning, design and construction or renovation of laboratory facilities is necessary to reduce this risk to personnel and the environment. In addition, foresight and planning for future operations, maintenance and

sustainment of the laboratory is crucial to ensuring the initial investment, as well as the health and safety of workers, their families and the communities that the laboratories serve. Comfort and energy-efficiency are also of considerable importance. Laboratory space must be appropriate for the activities conducted, while maintaining an appropriate temperature for laboratory equipment to operate and the tests to be conducted. Laboratories are unique facilities, and they may contain multiple hazard levels and conditions for the work they do. A host of criteria, including risk assessment and safety, as well as comfort and energy efficiency, must be considered when a laboratory is first planned or subsequently renovated in order to determine the optimal design and process. The safety of workers and the community must be considered and remain the primary goal of a laboratory during any modifications. Regulations, guidelines and standards must ensure laboratory safety has been published by many bodies and regulatory organizations. Specific national guidance for laboratory construction and renovation should always be followed, when available. General guidance and considerations for laboratory construction may also be obtained [in the WHO Laboratory biosafety manual](#).

6. Biosafety Levels are recognized operational designations for laboratories and consist of combinations of laboratory practices and techniques, safety equipment and laboratory facility aspects. Each combination is specifically appropriate for the operations performed on the documented or suspected routes of transmission of the infectious agents, and the laboratory function or activity. In general, the type of organisms and the hazards that they represent are considered when planning, designing, constructing and working in medical laboratories. A risk assessment should always be conducted as part of the preplanning process and safety analysis for renovation or new medical laboratory construction.
7. Solar energy, passive ventilation and other renewable energy innovations should be considered whenever possible, if they do not compromise safety and security of the laboratory, its personnel and the community.
8. **Minimum information to be included in the Funding Request:** Applicants and implementers should provide a full and precise description of the type of work that is needed for all infrastructural projects to the Global Fund’s satisfaction. The Global Fund may request the Local Fund Agent to review the amount and justification. In general, the work can be grouped under one or more of the following categories, and the Global Fund will generally take the differentiated approach to investments as shown below:

Country classification	Furnishing an existing facility Provision of furniture and/or equipment. No civil work is involved, except some minor works as necessary for installing the equipment of furniture.	Light refurbishment and/or refreshment of existing facility Requires some (mostly internal) civil work, but without structural changes of the existing facility.	Renovation/Construction⁴⁷ Either expanding the existing facility, completing unfinished facility, or constructing a new facility.
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⁴⁷ In general, the Global Fund does not provide funding for buying land.

Low-income countries	Yes	Yes	Generally not supported
Middle-income countries	With strong justification	With strong justification	Generally not supported
Post-conflict countries or other COEs	Yes	Yes	With strong justification

9. In each case, the Funding Request or any subsequent request should include a detailed narrative explaining the volume and scope of the work. In case of light refurbishment/refreshment and renovation/construction, the narrative should also be accompanied by a photo of the existing site, as well as a sketch of the expected product.
10. Each request for light refurbishment/refreshment and for renovation/construction should include a detailed explanation of project supervision arrangements. Where possible, these arrangements should follow national regulations. The review process of requests for investments in infrastructure refurbishment/renovation/construction will consider the robustness of the proposed monitoring and supervision arrangements as well.
11. **Criteria for Justification:** Applicants and implementers should explain in detail the purpose and expected outcomes of the proposed infrastructural projects. Justification should clarify the size and composition of the beneficiary population (e.g., outreach area covers 500,000 population, among which there are high number of internally displaced people who do not have access to service delivery facilities, etc.), and should explain why such investment is necessary. Applicants and implementers should also specify the consequences if the investment is not approved and how this will affect the overall program implementation and/or national strategy implementation.
12. **Sustainability Plan:** When requesting funding for infrastructure projects, applicants and implementers should provide convincing evidence (or a plan) of the commitment by relevant authorities to operationalize and maintain the infrastructure in question for long-term, sustainable use, including the availability of plans and resources for adequate staffing, security, maintenance and operational costs. Applicants and implementers should also specify an agreed plan on handing over the infrastructure to local stakeholders.

Appendix 6 – Vehicle Management Plan

Vehicle management plan guidance
Use of vehicles and quantity needed
<ul style="list-style-type: none">• Implementers should have a clear understanding of their requirements for vehicles necessary to serve the needs of the Program while achieving value for money. Implementers should clearly document the following:<ul style="list-style-type: none">○ Primary and secondary use of the vehicles: What will the vehicles be used for (e.g., transporting people, supplies)? The direct linkage to proposal goals and objectives should be made.○ Frequency of use: What will be the frequency of use of the vehicles required?○ Term of the need: Will the vehicle serve short- or long-term needs/purposes?○ Capacity needs: What is the total number of people/quantity of supplies to be transported?○ Special configurations: What are the special features/options required for particular needs to ensure compliance with all relevant regulations and safety requirements?○ Quantity: How many vehicles of each type will be needed for the Program?○ Financial gap: How many vehicles of each type are being funded by other sources, including both domestic and external? What is the gap that the Global Fund is requested to fill?• Based on performed analysis, implementers should justify the need for purchasing certain types and numbers of vehicles. For example, in cases when the need for certain vehicles is short term or the use of vehicles is infrequent, it could be met by renting or reimbursing the use of personal cars. In cases of long-term needs and frequent uses, purchase or leasing options should be considered.
Existing infrastructure and other considerations
<ul style="list-style-type: none">• As part of the needs assessment, implementers must evaluate the existing infrastructure such as:<ul style="list-style-type: none">○ Suitability of structures: Are the roads, bridges, and other transportation structures suitable to drive with specific vehicles?○ Space availability: Will there be sufficient safe place to park/leave the vehicles?○ Service networks: Will suitable workshops be available to service the vehicles properly and cost-effectively?○ Spare parts and tires: Will there be sufficient spare parts and tires with proper quality and cost in the local market (or will there be a need for importing)?○ Fuel availability: Is fuel (diesel and gasoline) and are lubricants readily available in operation?
Administrative policy
<ul style="list-style-type: none">• Describe the administrative procedures for management of the fleet. Describe the role and identify the person(s) or units responsible for fleet management at Principal Recipient level. Where more than 10 vehicles will be used at Sub-recipient level, also describe the same for Sub-recipients. Describe who has executive responsibility for decisions regarding vehicle purchase, vehicle insurance policies, replacement, maintenance, repair, assignment/use, disposal, and review of any reports of inappropriate use.

Operational policy and procedure

- Implementers and any Sub-recipients operating fleet vehicles (at least 10) are required to maintain written policies and procedures governing the operations. Written policies and procedures should be approved by and on file with the Principal Recipient.
- Entities are encouraged to adopt practices specific to their fleets. Any policies and procedures adopted in addition to these should be consistent with the requirements of the plan.
- Vehicle operation policies and procedures shall address but are not limited to: i) driver eligibility; ii) use of personally owned vehicles; iii) new vehicle delivery; iv) vehicle replacement schedules; v) disposal of used vehicles; vi) preventative maintenance; vii) vehicle cleaning; viii) warranty tracking; ix) repairs; x) safety and accident reporting; xi) registration renewals; x) insurance policies and renewals; xii) responsibilities of drivers; xiii) vehicle assignment or motor pool procedures; and xiv) appropriate use of vehicles.

Acquisition policy

- Implementers should define the acquisition policy, the procurement and tendering process, and be aware of and approve the procurement and tendering process of Sub-recipients, if separate. The tendering process should be guided by efficiency, effectiveness and economy of scale. Bulk procurement is encouraged with clear specifications and delivery timelines for all implementers.
- Vehicle replacement: How often and under what conditions are vehicles replaced?
- Vehicle transfer: When and under what conditions is vehicle ownership transferred?
- Alternatives to vehicle purchasing: Implementers should provide evidence that it has considered the feasibility of alternatives to purchasing vehicles, including leased and rental vehicles and reimbursement for the use of government/employee-owned vehicles.

Use and maintenance policy

- Vehicle assignment: Implementers should describe the policy for determining the use and maintenance of vehicles. Assignment of a vehicle to an individual administrative or executive employee on a regular or daily basis is prohibited without written documentation that the assignment is critical to the mission of the agency or institution.
- Reporting assignment: Implementers assigning vehicles to individual administrative or executive employees shall retain the following information, available for inspection:
 - Vehicle identification number, license plate number, year, make and model;
 - Name and position of the individual to whom it is assigned; and
 - Reason the assignment is critical to the mission of the agency or institution.
- Fuelling: Implementers must explain and incorporate the fuel allocation policy and practice in its manual of procedures.

Replacement and disposal policy

- In general, implementers should define the optimum replacement cycle which minimizes overall capital and operating costs over time.

- There may be circumstances in which vehicles may be replaced sooner (such as excessive maintenance or repair costs) or retained longer (such as unusually low maintenance costs). Fleet managers may make this decision on a case-by-case basis.
- Procedure for vehicle disposal: Implementers should define the procedure for disposal (sale and/or other forms of disposal).

Appendix 7 – Cashless Payments Modality

1. Grant Funds are required to be deposited in a bank and, to the extent practicable, should remain in a bank account (see Article 3.4 of the Grant Regulations, as applicable). Nevertheless, to strengthen the financial, fiduciary and risk management of Global Fund Grant Funds and to improve programmatic goals delivery, the [Global Fund](#) may require by written notice, implementers to use an appropriate cashless payment modality acceptable to the Global Fund (“Cashless Payment Modality”) for the use of Grant Funds to make payments to individual natural persons. Cashless Payment Modalities include, but are not limited to, modalities such as direct payment to an individual’s bank account, digital and mobile payments (e.g., to mobile money wallet), debit and prepaid cards, via electronic vouchers (or vouchers with electronic verification/validation), or any other form of cashless or digital payment that does not involve the transfer of physical banknotes.
2. A non-exhaustive list of when the Global Fund considers that a Cashless Payment Modality must be used is set out below:
 - (i) Additional Safeguards Policy (ASP) is being applied to the relevant country or Global Fund grant; and/or
 - (ii) The Global Fund Office of the Inspector General, LFA and/or auditor has issued findings, recommendations or observations relating to sub-optimal funds flow and payment modalities, previous history of misuse of Grant Funds under the relevant grant(s), or inadequate payments options including inappropriate use of physical banknotes; and
 - (iii) Cashless Payment Modalities are available in the relevant Host Country. In particular:
 - The cashless and digital payment ecosystem is mature and widely used across the country (e.g., bank transfers, mobile money, and other forms of digital payments);
 - Government uses a cashless payment system for various national programs;
 - Other donors, international non-government organizations and other development and humanitarian partners use cashless payment modalities; and/or
 - A zero cash policy is being applied to the relevant country or Global Fund grant;
3. If (i) and/or (ii) are satisfied, but Cashless Payment Modalities are not available in the Host Country, use of physical banknotes must still be limited. In such cases, the Principal Recipient or relevant implementer must provide a written justification satisfactory to the Global Fund establishing that: i) no Cashless Payment Modalities are available in the relevant Host Country; and ii) appropriate internal controls and fund flow arrangements are in place to safeguard cash payments from theft, corruption, or other forms of misuse.
4. The Global Fund may engage the LFA to assess and validate the adequacy of the relevant Cashless Payment Modality or that appropriate internal controls and fund flow arrangements are in place for cash payments, to ensure that Global Fund Grant Funds

disbursed are traceable, secure and reach the intended beneficiary. The Global Fund is committed to encourage Principal Recipients and other implementers to move away from conventional payment modalities using physical banknotes towards traceable, fast and verifiable Cashless Payment Modalities to enable effective financial management of Global Fund Grant Funds, and to facilitate achievement of programmatic goals through the deployment of modern financial technologies.

5. References to other Global Fund documents to provide more information on Cashless Payment Modalities: [Financial Management Handbook for Grant Implementers](#) (5.5.1 Payment Methods and 5.6.3 Mobile Money) and [Financial Management System Diagnostic](#) system diagnostic is a tool that supports implementers in performing a deep-dive review of their financial management systems using a questionnaire.

Appendix 8 – Value for Money considerations for grant budgeting

1. Funding requests and grants are expected to integrate Value for Money (VfM) considerations, finding the appropriate balance among all five VfM dimensions (effectiveness, efficiency, economy, equity and sustainability). When elaborating the detailed budget, economy and efficiency are of particular importance. Grant budgets are expected to cover the reasonable costs of interventions, considering the country's context, the resource envelope and the need to enhance impact and maximize efficiency. Particular attention therefore should be given to the following VfM dimension and sub dimensions, when designing and monitoring budgets.

VfM sub-dimension	Key considerations for budget elaboration and monitoring	Guidance
Economy – The Right price for the right input	Paying inputs at the lowest sustainable costs, including alignment to reference prices for health products or compliance with national labour laws, supporting decent work and fair pay.	Review the unit prices and ensure they are aligned with reference standards and expenditure.
Economy - Program management costs	Optimizing program management costs to delivery results while ensuring proper management, risk mitigation and assurance.	Ensure Program Management costs are not excessive and will not affect the sustainability of the program. Such costs include human resources, travel related costs, external services, non-health equipment, and indirect and overhead costs. (Refer to Costing Guidance section of this file)
Efficiency- Allocative Efficiency	Optimally allocating investments across program and system level interventions, geographies, gender, key populations, age bands, and other factors to achieve maximum health outcomes and impact.	Compare the summary budget distribution across modules with the funding landscape table and other available evidence submitted with application (e.g., NSP, program reviews, allocative efficiency modelling) that suggests how the allocation of resources can be optimized both for disease programs and health and community system strengthening.
	Resources are optimally distributed at sub-national level to achieve the greatest impact. Special attention should be given to investments in health equipment and sample transport, as well as to HRH/CHW.	Review the plans to operationalize the distribution/utilization of key resources. What assumptions were made, or evidence used to optimize their distribution, and deliver the maximum amount of services or reach the greatest number of beneficiaries? (Reference to HIV, Tuberculosis, Malaria and RSSH Information Notes).

Efficiency- Technical Efficiency	Improving the efficiency of the health system by integrating parallel and duplicative disease specific systems (e.g., health information systems, human resources, laboratory systems, and supply chains).	Review health system investments and question their level of integration to national health systems. Are those investment compliment or overlap with other investment funded by other sources? Are those investments standalone or integrated into national health systems, informed by national health strategies? Have programs considered options for integration across disease programs?
	Implementing optimal service delivery modalities to achieve the desired health outcome at optimal cost.	Review the proposed activities that are budgeted under specific interventions. Are they the most appropriate to achieve the desired output and outcome? Have program essentials (see HIV, Tuberculosis and Malaria Information Notes) and other technical recommendations that can increase efficiency been considered in the operationalization of the grant?
	Selecting and quantifying the appropriate mix of inputs to complete the desired activity and achieve the maximum of outputs. Prudent budgeting of program management costs, including consultants and travel.	Review budget assumptions and cost inputs to ensure the type of inputs and quantities are the most appropriate to improve efficiency. Review previous budget and expenditure reports and compare with the performance of the PR to estimate service unit budget/expenditure. Monitor spending trends, look for efficiency gains and economies of scale.
Efficiency- Grant Management Efficiency	Designing sound and lean implementation arrangements (number and types of implementers and suppliers), leading to efficient service delivery and respond to programmatic risks and bottlenecks.	Review the proposed budget by implementer and number of implementers between Principal Recipient, Sub-recipients and suppliers. Ensure adequate resources are allocated to each implementer to efficiently implement the grants, that the current budget distribution addresses potential risk on grant management or allows for robust supervision.
Equity	The information of the existing inequities in resource allocation, service delivery and health outcomes are identified and used to select costs and inputs needed to deliver the interventions to promote fair and equitable health outcomes.	Ensure the proposed budget is sufficiently disaggregated by population groups prioritized in the funding request; and the budget for key and vulnerable population groups funds appropriate package of services to reach those populations.

Effectiveness	<p>The proposed interventions should contribute to improve HIV, tuberculosis and malaria disease burden outcomes, strengthening health systems and addressing gender or human rights related barriers</p>	<p>Review the proposed budget to make sure that it is aligned with the Funding request application and the modular framework.</p> <p>Compare budget and targets to ensure there isn't any significant budget intervention that does not have any related target or workplan tracking measure.</p> <p>Compare the budget and the RSSH Gaps and Priorities Annex (including financial gap analysis) to ensure they are aligned.</p>
Sustainability	<p>Health and community systems needs to be strengthened to provide and finance services that are efficient, affordable and programmatically feasible to maintain and scale service coverage in the long term.</p>	<p>Formulate the budget with a strong sustainability focus to make sure: the grant budget well compliments national and our donor funding; the budgeted capital investment (e.g., lab equipment); HRH and other activities can be sustained in the longer term in lieu of continuous external funding.</p>

Appendix 9 – Activity Based Contracting

1. For any Activity Based Contract, both implementer and activity-based contractor must comply with the following requirements unless otherwise agreed with the Global Fund in writing:

Key Phases
Contracting Phase:
<ul style="list-style-type: none">• The activity-based contractor must be selected through an appropriate procurement process meeting the requirements set under section 5.1(1) of the Global Fund Grant Regulations (2014). The following considerations are key at contracting stage:<ul style="list-style-type: none">○ The technical and financial capacity of activity-based contractors must be assessed using the 70% and 30% rule (70% technical & financial capacity and 30% financial proposal).○ While assessing the technical and financial capacity of proposed activity-based contractors, the implementers must consider the following factors, without limitation:<ul style="list-style-type: none">- Relevant experience and track record of contractor (at least 3 to 5 years);- Methodology and approach to deliver required services or goods;- Contractor capacity, management structure and qualification of key personnel;- Activities to be implemented and the inherent risks (level of cash payments and are outputs verifiable);- Quality assurance review mechanism (oversight and compliance procedures) of contractor;- Risk mitigation measures, reporting and monitoring; and- Financial capacity (audited financial statements for at least 2 years and annual turnover of at least US\$ 1 million or any other ratio-based indicator of financial capacity discussed and agreed with the Global Fund Country Team.• In addition to the above, the implementer must establish and agree with the activity-based contractor an assurance plan (the plan must be approved in writing by the Country Team or Principal Recipient in case of the Principal Recipient and Sub-recipient respectively) for appropriate oversight and supervision of services to be provided under the activity-based contract, which must include one or more of the following: a) monitoring and supervision visits; b) internal audit; and c) external audit; and /or final evaluation of work/outputs, and others.
Execution
<ul style="list-style-type: none">• The activity-based contractor must provide the detailed implementation schedule and inception report with actual delivery dates within 1-month (30 days) of the assignment.• The activity-based contractor must perform and complete the services agreed with due diligence, quality and efficiency in accordance with the contract, which shall include relevant provisions from the Global Fund's Grant Regulations (2014).• The activity-based contractor must ensure that the key personnel assigned in the technical proposal will remain responsible for the contract implementation. Any replacement of the key staff throughout the contract life must be justified by the contractor and agreed with the implementer. The replacement staff must be of the comparable (or higher) professional competence as the resigned one.• The activity-based contractor must be responsible for the professional and technical competence of its staff and will select reliable individuals who will perform effectively and conform to a high standard of moral and ethical conduct.• The implementer must perform the assurance of service being provided as per agreed assurance plan.
Payment

- The activity-based contractor must submit contract-based invoices⁴⁸ for the services performed against every milestone agreed.
- Payments must be made to the activity-based contractor after acceptance of the invoices submitted, upon achievement of the corresponding milestones.
- In special circumstances, considering the cash-flow situation and capacity of the contractor, an advance payment of no more than 30% can be authorized. For contracts with advance payment mechanism, the contractor must provide a guarantor (Government, INGO, UN Agencies, or reputable local bank). The guarantee could be financial (reimbursement in a case of non-delivery on the agreed outputs by the contractor) and non-financial (assure delivery on the outputs in a case the contractor is unable to deliver).

Closure

- A certificate of completion must be submitted to the implementers by the activity-based contractor after the completion of all milestones/output agreed in the contract.
- Final payments must be made after acceptance of the certificate of completion and the invoices submitted, together with supporting documentation of the actual costs incurred and milestones achieved.

Types of Activity Based Contracts:

- **Verifiable Service Delivery:**
 - **Preconditions:** Funding is exclusively linked to units of service delivered, based on a pre-determined unit cost, unit cost can be reliably measured and cost of verification is reasonable.
 - **Key Advantages:** Shift in focus of service providers from input management to output management (i.e., demonstration of result), improve country/ PR/ SR / M&E and surveillance systems.
 - **Key Activities:** Trainings; Procurement of health products and non-health products; Distribution of health products (i.e., LLINs/ITNs etc.).
- **Conditional Cash Transfers:**
 - **Preconditions:** Make payments to individuals for specific achievements such as staying in school till a later age, remaining free from STIs, and others; The achievement can be measured reliably; and cost of verification is reasonable.
 - **Key Advantages:** Rapidly scaling up individual-level behavior change; Engaging private sector; Empowering beneficiaries to choose where they seek services.
 - **Key Activities:** Living support to client/target population (i.e. orphans and vulnerable children support, cash incentive to patients/counsellors/mediators etc.)
- **Facility Level Financing:**
 - **Preconditions:** Funding is exclusively linked to facility-level outputs; Output and unit cost of output can be measured reliably; Visibility of the Global Funds grant investment.
 - **Key Advantages:** Increase facility-level efficiency and effectiveness; Re-investment in health facility strengthens system.
 - **Key Activities:** Key indicators include: % of women attending antenatal care; % of births attended by skilled health professional; Annual blood examination - Malaria (number and rate per 100 population); Percentage of all forms of tuberculosis cases (i.e. bacteriologically confirmed plus clinically diagnosed) successfully treated (cured plus treatment completed); % of people living with HIV in care (including prevention of mother-to-child-transmission) who are screened for tuberculosis in HIV care or treatment settings; and Procurement of health products and non-health products.

⁴⁸ This includes an invoice with the statement of work performed under the contract and does not include specific receipts that the contractor keeps for their own book of records.

3. Acronyms

Acronyms	
ABC	Activity Based Contract
CCM	Country Coordinating Mechanisms
CFP	Comprehensive Funding Principles
CMP	Communication Material and Publications
DAP	Delivery At Place
DDP	Delivery Duty Paid
DDU	Delivery Duty Unpaid
DSA	Daily Subsistence Allowances
EPS	External Professional Services
GAC	Grant Approval Committee
GDF	Global Drug Facility
HIV	Human Immunodeficiency Virus
HR	Human Resources
ICR	Indirect Cost Recovery
INF	Infrastructure
LFA	Local Fund Agent
LSCTP	Living support to client/target population
NHE	Non-health Equipment
OPN	Operational Policy Notes
PfR	Payment for Result
PFSCM	Partnership for Supply Chain Management
PR	Principal Recipient
PSM	Procurement and supply-chain management costs
QA	Quality Assurance
QC	Quality Control
RBF	Result Based Financing
RSSH	Resilient and Sustainable Systems for Health
PSEAH	Protection from Sexual Exploitation and Abuse, Sexual Harassment
SR	Sub-recipient
TB	Tuberculosis
TRC	Travel-related Cost
TRP	Technical Review Panel
TV	Television
UNFPA	United Nations Population Fund
VfM	Value for Money

Key definitions

Please refer to [Comprehensive Funding Policy](#) and [Allocation Methodology](#) for key terms that are not defined in this document.